

Midway/Pacific Highway Corridor and Old Town San Diego
Community Planning Areas – Market Assessment

San Diego, California

Prepared for:

City of San Diego

Keyser Marston Associates, Inc.

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I. INTRODUCTION

A. Objective

Keyser Marston Associates, Inc. (KMA) has undertaken an overview of market conditions and development opportunities for the Midway/Pacific Highway Corridor and Old Town San Diego Community Planning Areas (CPAs) in the City of San Diego (City).

The two CPAs are located directly south of Interstate 8 (I-8) and bisected by Interstate 5 (I-5). The Midway/Pacific Highway Corridor CPA is situated north of the Centre City Community Planning Area between the communities of Old Town and Point Loma. It is bounded by the San Diego International Airport, Marine Corps Recruit Depot (MCRD), Liberty Station to the south, and I-8 to the north. The Old Town San Diego CPA is generally bounded by I-8 to the north, I-5 to the west, and by the Uptown/Mission Hills hillsides to the southeast.

B. Methodology

In preparing this market assessment, KMA undertook the following work tasks:

- Participated in a kick-off meeting with City staff and AECOM, the lead planning consultant.
- Reviewed background information such as resource documents, maps, and relevant plans.
- Toured the area, environs, and competitive developments.
- Reviewed key demographic trends.
- Conducted an evaluation of market factors such as inventory, vacancy, and value indicators for five major land uses, which include: residential, office, industrial, lodging, and retail.
- Identified key assets and constraints affecting development potential.
- Identified long-term development opportunities.

C. Report Organization

This report has been organized as follows:

- Following this introduction, a summary of the KMA findings are presented in Section II.

- Section III presents an overview of the Midway/Pacific Highway and Old Town CPAs.
- Section IV details the KMA conclusions regarding existing market conditions in the CPAs.
- Limiting conditions pertaining to the KMA market assessment are listed in Section V.

Attached to this report are the KMA technical appendices. The appendices analyze demographic trends (Appendix A) and market conditions for each of the five land uses analyzed by KMA: residential, office, industrial, lodging, and retail (Appendices B through F).

II. KEY FINDINGS

A. Overview

There is a broad mix of land uses within both the Midway/Pacific Highway Corridor CPA and Old Town CPA, including residential, office, industrial, lodging, and retail. Both CPAs are largely built out, with very limited undeveloped land remaining for development. However, numerous opportunities exist for private and publicly owned land to be redeveloped with new buildings and uses that are better suited for current market conditions.

At the present time, new real estate development ventures are severely hampered by depressed market demand, market oversupply, impaired financing markets, and a gloomy outlook for the national economy. As these conditions are alleviated in the mid-term, the Midway/Pacific Highway Corridor and Old Town CPA have the potential to provide excellent opportunities for new development.

The remainder of this section summarizes the key findings of the KMA market assessment with respect to market conditions, limiting factors, and overall market support and potential development opportunities for each major land use.

B. Summary of Market Potential – Midway/Pacific Highway Corridor CPA

Residential

Market Conditions:

- Overall local and regional residential market conditions improving.
- CPA strategically located close to high employment centers (Downtown, Mission Valley).
- High home values and incomes found in the neighboring communities of Point Loma, Old Town, and Mission Hills.
- CPA is served by the Washington Street San Diego Trolley station (and adjacent to the Old Town Transit Center) to Downtown San Diego and Mission Valley, providing transit options for residents impacted by worsening traffic conditions in the region.

Limiting Factors:

- Presence of warehouse and service commercial uses detract from residential appeal.
- High traffic volume and lack of pedestrian-friendly infrastructure is ill-suited to attracting prospective residents.
- Lacks open space, public parks, and recreational areas.

Residential (Cont'd.)

Overall Market Support:

- Near-Term (within 10 years): Weak
- Long-Term (beyond 10 years): Moderate

Potential Development Opportunities:

- Stacked flat apartments and condominiums targeted to young professionals or seniors, possibly developed in a walkable mixed-use district combining specialty retail, restaurant, and service uses.
- In-fill residential.

Office

Market Conditions:

- Strong presence of government, educational, and medical office users.
- Limited traditional office space uses within the CPA.
- Demand for office space is stronger in larger office markets throughout the County.

Limiting Factors:

- Lack of available sites; acquisition/assembly required.
- Most office based firms are avoiding major expenditures in regard to long-term space decisions.
- Increases in vacancy, further compounded by the recession, have caused many companies to downsize or consolidate.

Overall Market Support:

- Near-Term (within 10 years): Weak
- Long-Term (beyond 10 years): Moderate

Potential Development Opportunities:

- New office development along Pacific Highway or south of Midway to support existing government, educational, and medical office uses.

Industrial

Market Conditions:

- Industrial space is concentrated along I-8 north of the Sports Arena and along Pacific Highway and I-5.
- Vacancy rates for industrial space in the CPA are amongst the lowest in the County.
- CPA is located close to high employment centers (Downtown, Mission Valley).
- Industrial areas are easily accessible and visible from Interstates 5 and 8 freeways.
- Proximity to San Diego International Airport is a desirable factor for industrial businesses.

Industrial (Cont'd.)

Limiting Factors:

- Lack of available sites; acquisition/assemblage required.
- High traffic volumes and incomplete street grid constrain accessibility to industrial uses.

Overall Market Support:

- Near-Term (within 10 years): Moderate
- Long-Term (beyond 10 years): Moderate

Potential Development Opportunities:

- Large acreage sites such as the Sports Arena or Midway Post Office properties could accommodate business park employment users.
- Flex industrial space along Pacific Highway.

Lodging

Market Conditions:

- Predominately limited service budget hotels/motels targeted to leisure travelers visiting San Diego County major visitor attractions (i.e., SeaWorld).
- Close proximity to San Diego airport, beaches, downtown San Diego, and Old Town.

Limiting Factors:

- CPA is not a significant employment center and therefore has difficulty attracting business travelers.
- Low average daily rates may not support new development.
- Limited sites available for new hotel development.
- Hotel development extremely difficult to finance.

Overall Market Support:

- Near-Term (within 10 years): Weak
- Long-Term (beyond 10 years): Moderate

Potential Development Opportunities:

- Limited-service hotels targeted to families.

Retail

Market Conditions:

- CPA is served by a variety of neighborhood, community, and subregional shopping centers with several large anchor tenants such as Home Depot, Target, Staples, Sports Chalet, PetSmart, and Home Goods.

Retail (Cont'd.)

Limiting Factors:

- Limited sites available; acquisition/assemblage required.
- Existing abundance of competitive retail inventory in area.
- Prevalence of older shopping centers exhibiting disinvestment.

Overall Market Support:

- Near-Term (within 10 years): Moderate
- Long-Term (beyond 10 years): Moderate

Potential Development Opportunities:

- Retail developed in a walkable mixed-use district combining specialty retail, restaurant, local-serving employment, and service uses.

C. Summary of Market Potential – Old Town San Diego CPA

Residential

Market Conditions:

- CPA benefits from a desirable community image.
- High home values and income levels found in adjacent Mission Hills neighborhood.
- CPA has an aging population segment with growing need for smaller unit types.
- Demand for urban in-fill developments is strong in San Diego County, with walkable communities exhibiting value premiums.
- Prevalence of Old Town tourist destinations provides retail, entertainment, and a variety of dining options.
- Existing walkable environment is appealing to prospective residents.
- CPA is served by the San Diego Trolley to Downtown San Diego and Mission Valley providing transit options for residents impacted by worsening traffic conditions in the region.

Limiting Factors:

- Lack of available vacant sites for new development.

Overall Market Support:

- Near-Term (within 10 years): Strong
- Long-Term (beyond 10 years): Strong

Potential Development Opportunities:

- Mixed-use buildings with residential on upper floors with ground floor retail.
- Stacked flat apartments or condominiums for seniors seeking smaller unit types.
- In-fill residential development.

Office

Market Conditions:

- Existing tenant base is mainly small, local-serving professionals attracted to the Old Town environment/amenities.
- Limited inventory for office uses within the CPA.

Limiting Factors:

- CPA is not an established major employment center.
- Limited/no demand for office uses within the CPA.
- Historic significance of buildings allows for only the reuse of existing properties in many cases.
- Parking at standard office parking ratios may be difficult to accommodate.

Overall Market Support:

- Near-Term (within 10 years): Weak
- Long-Term (beyond 10 years): Moderate

Potential Development Opportunities:

- Small suites for professionals in adapted historic/older buildings.
- Live-work space.

Industrial

Market Conditions:

- No existing industrial space in CPA.

Limiting Factors:

- No existing industrial uses in the CPA.
- Presence of industrial uses would detract from Old Town CPA historic character and conflict with visitor-oriented uses.

Overall Market Support:

- Near-Term (within 10 years): Weak
- Long-Term (beyond 10 years): Weak

Potential Development Opportunities:

- None.

Lodging

Market Conditions:

- Historic attractions in the CPA draw visitors to the area.
- CPA is serviced mainly by limited service hotels with architectural elements that complement the historic character of Old Town.

Limiting Factors:

- Leisure travelers are drawn to resort destinations outside of Old Town.
- Hotel development extremely difficult to finance.
- Projected future supply of 80 bed and breakfast rooms (Victorian homes in Heritage Park).

Overall Market Support:

- Near-Term (within 10 years): Moderate
- Long-Term (beyond 10 years): Strong

Potential Development Opportunities:

- Boutique hotels complementing the existing character of Old Town.
- Adaptive re-use of existing buildings.

Retail

Market Conditions:

- Existing retail consists of themed-retail, restaurants, and service-oriented businesses with entertainment as a unifying theme.
- Minimal amount of vacant retail space in the CPA.

Limiting Factors:

- Historic significance of buildings allows for only the reuse of existing properties in many cases.

Overall Market Support:

- Near-Term (within 10 years): Strong
- Long-Term (beyond 10 years): Strong

Potential Development Opportunities:

- Mixed-use buildings with residential, lodging, or local-serving office on upper floors with ground floor retail.

D. Potential Opportunity Sites

Midway/Pacific Highway Corridor CPA

- Sports Arena and adjacent City-owned parcels – 95-acres of land owned by the City of San Diego, located between Sports Arena Boulevard and I-8. The site currently houses the Sports Arena (Valley View Casino Center) on 38 acres as well as a mix of retail, light industrial, office, and residential uses.
- Midway Post Office – 27-acre parcel located on Midway Drive which served as the U.S. Postal Service's main distribution center for San Diego until 1993. The U.S. Postal Service placed the site on the market in March 2010. The site currently houses the 436,000-SF postal facility, a small surface customer parking lot on the southern portion of the site, and a larger parking lot and areas for truck storage on the northern portion of the site.
- Cabrillo Hospital – 6.35 acres, formerly occupied by Sharp HealthCare. The hospital closed in 2009 and the building is vacant. The adopted community plan allows for commercial office or residential development at 29 dwelling units per net acre.

Old Town San Diego CPA

- Former Caltrans Building – 60-year old 115,700-SF office building formerly used as the San Diego headquarters for the District 11 California Department of Transportation (Caltrans). The building is situated on a 2.5-acre parcel immediately south of Old Town historic park bounded by Taylor Street on the north, Juan Street on the east, Calhoun Street on the west, and Wallace Street on the south. Caltrans had previously planned to auction the site.
- Pacific Highway and Taylor Street Intersection – The three corners at Pacific Highway and Taylor Street, near the I-5 and I-8 interchange. The street corners house uses such as the popular landmark diner, a large underutilized parking lot, and a Caltrans park and ride.
- Morena Boulevard and Taylor Street Intersection – The intersection is occupied by several retail uses, a motel, and vacant land.

III. SUMMARY OF COMMUNITY PLANNING AREAS

A. Midway/Pacific Highway Corridor CPA

The Midway/Pacific Highway Corridor Community Plan was adopted May 28, 1991 and has been amended five times including the most recent amendment on July 10, 2010. The Midway/Pacific Highway CPA contains a total of 873 acres (including roads and rights-of-way). Land uses within the CPA are mainly low density, commercially zoned, and surface parked. The area consists primarily of strip retail, community, and neighborhood shopping centers, which are located along Sports Arena Boulevard, Rosecrans Street, and Midway Drive. There is a wide range of retailers including large anchors, medium-sized tenants, sit down and fast food restaurants, and several adult entertainment uses. There are many limited-service budget hotels that cater to visitors seeking to stay in close proximity to San Diego visitor attractions, i.e., SeaWorld. However, the entryways into the CPA are blighted and crowded by adult entertainment venues which are visually unappealing to visitors coming into the area.

Industrial properties are concentrated in two locations: (1) north of Kurtz Street to I-8 and (2) along Pacific Highway. There are also a number of government, educational, and medical facilities in the area. The Midway/Pacific Highway CPA contains a small number of housing units and residents. The vast majority of housing within the area is multi-family and consists mainly of rental apartments with very few for-sale units. Although there is minimal population in the CPA, the surrounding area is characterized by high-income population and high-priced residential units.

According to the City of San Diego's independent evaluation of parcels by land use, the Midway/Pacific Highway CPA contains a total of 4.8 acres of vacant undeveloped land. Despite the limited availability of vacant development sites, the Midway/Pacific Highway CPA contains several opportunities for redevelopment. Many of the structures in the CPA have become dilapidated and are in need of rehabilitation. Other sites are underutilized and lack cohesion. Facilities such as the Sports Arena and Midway Post Office present opportunities for redevelopment on a larger scale.

Midway/Pacific Highway Corridor Acres by Land Use, 2011	
<u>Developed Land Uses by Acreage (1)</u>	
Retail	192.5
Hotel	18.8
Office	34.8
Industrial	143.0
Institutional	69.3
Multi-Family	79.6
Single-Family	1.3
Recreation	36.2
Parking Lots and Structures	21.1
Transit-Related	<u>7.1</u>
Subtotal, Developed Land Uses	603.8
Add: Undeveloped Vacant Land	<u>4.8</u>
Total - Midway/Pacific Highway Corridor	608.6
(1) Excludes public right-of way and freeways.	
Source: City of San Diego	

B. Old Town San Diego CPA

The Old Town San Diego Community Plan was adopted on July 7, 1987 and contains a total of 289 acres. The Old Town CPA is a known visitor destination in California with its long history dating back to the 1800s and is considered the "birthplace" of California. The focal point for the area is the 10-acre State Historic Park. The State park has been developed to include retail shops, dining, lodging, and entertainment uses. According to the Old Town San Diego Chamber of Commerce, there are over 150 retail shops, 24 full-service restaurants, 17 museums, and 10 art galleries.

Adjacent to the State park is the former Caltrans building which was developed during the 1950s. The new 300,000-SF Caltrans headquarters building was developed directly across Taylor Street from the former office building. Hotel uses have developed in the Old Town community to accommodate the high tourist population. Hotels in the Old Town CPA are mainly limited-service with one boutique hotel. In addition, the County of San Diego is in the process of converting several historic Victorian houses into bed and breakfast inns.

The Old Town Transit Center is also located within the CPA. The Old Town Transit Center is an intermodal transportation station that allows service from the San Diego Trolley, Amtrak's Pacific Surfliner, San Diego COASTER, and various bus routes.

According to the City's review of land uses by parcel, the Old Town CPA contains a total of 2.5 vacant undeveloped acres. There are also several surface parking lots that occupy approximately 5.6 acres throughout the CPA; however, parking in Old Town is limited and is in high demand to serve the visitor-serving uses.

Old Town San Diego Acres by Land Use, 2011

Developed Land Uses by Acreage (1)

Retail	8.0
Specialty Commercial	7.4
Tourist Attraction	21.9
Hotel	9.7
Office	27.8
Industrial	4.2
Institutional	15.2
Multi-Family	11.5
Single-Family	8.8
Parks/Open Space	60.6
Parking Lots	5.6
Transit-Related	<u>4.8</u>
Subtotal, Developed Land Uses	185.5
Add: Undeveloped Vacant Land	<u>2.5</u>
Total - Old Town San Diego	188.0

(1) Excludes public right-of way and freeways.

Source: City of San Diego

IV. DEMOGRAPHIC OVERVIEW

This section reviews various demographic factors, obtained through SANDAG for the two CPAs and compares them to the City of San Diego and County of San Diego. According to SANDAG, both CPAs have decreased in population over the last 10 years. Households in both areas are smaller in size than the City or County. Key demographic factors impacting the CPAs are discussed below.

A. Population

Over the last decade, population in both CPAs has decreased annually by 1.9% (Midway/Pacific Highway) and 1.1% (Old Town). By comparison, both the City and the County experienced positive annual growth of 1.2% and 1.4%, respectively over the same 10 year period. According to SANDAG, the Midway/Pacific Highway CPA contains a population of about 3,900 and is projected to increase annually by 3.6% through 2030. The Old Town San Diego CPA contains a population of about 670 and is expected to increase annually by less than 1.4% over the next 20 years.

Population	Midway/Pacific Highway Corridor	Old Town San Diego	City	County
2010 Estimate	3,857	673	1,376,173	3,224,432
2020 Forecast	4,390	740	1,524,324	3,535,000
2030 Forecast	7,722	895	1,690,232	3,870,000
Average Annual Increase, 2010-2030	3.53%	1.44%	1.03%	0.92%

Source: SANDAG

Housing Units

There are currently an estimated 1,822 housing units in the Midway/Pacific Highway Corridor. SANDAG has forecasted that the Midway/Pacific Highway CPA will experience an average annual growth of 1.59% over the next 10 years. Household size in the Midway/Pacific Highway CPA averages 1.9 persons per household.

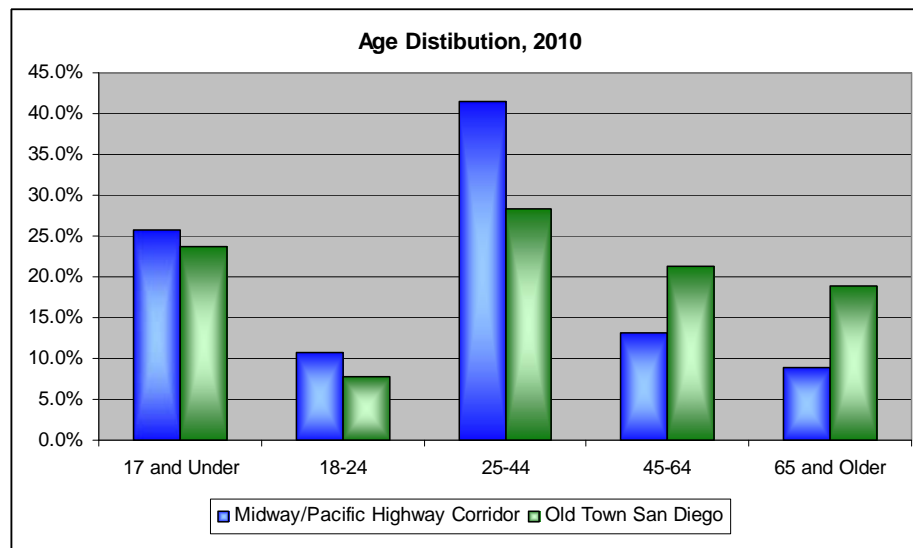
Old Town San Diego currently has 440 housing units and is expected to increase by only 30 units in the next 20 years. Average household size in the Old Town CPA is 1.7 persons per household, much smaller than that of the City (2.8) and County (2.9).

Housing Units	Midway/Pacific Highway Corridor	Old Town San Diego	City	County
2010 Estimate	1,822	440	511,820	1,149,426
2020 Forecast	2,133	470	577,416	1,262,488
2030 Forecast	3,970	547	629,694	1,369,807
Average Annual Increase, 2010-2030	3.97%	1.09%	1.04%	0.88%

Source: SANDAG

Age Distribution

Population in the Midway/Pacific Highway CPA is younger in median age (32 years old) than the Old Town CPA, City, and County. The Old Town CPA contains an older population with a median age of 39, while the City and County hover at about 35 years of age. The distribution of population by age finds that approximately 40% of the population in the Old Town CPA is above the age of 45. The Midway-Pacific Highway CPA contains a slightly higher proportion of children (ages 17 and under) with only 22% of the population above the age of 45.

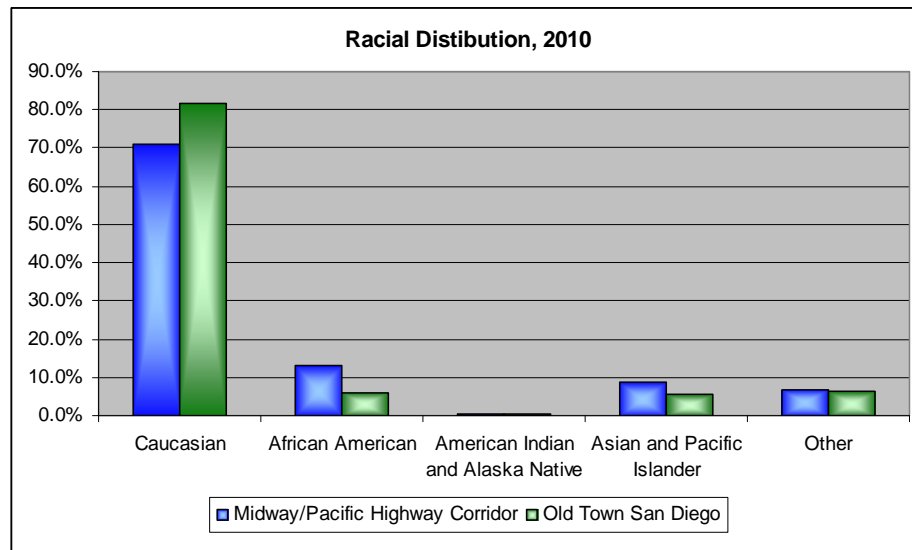


Source: SANDAG

Race and Ethnicity

According to SANDAG, both the Midway/Pacific Highway CPA and Old Town CPA are predominately Caucasian at 71% and 82%, respectively, which is comparable to the County. The Midway/Pacific Highway CPA contains a higher proportion of African American population (13%) than the Old Town CPA (6%), City (10%), and County (8%). The Old Town CPA also

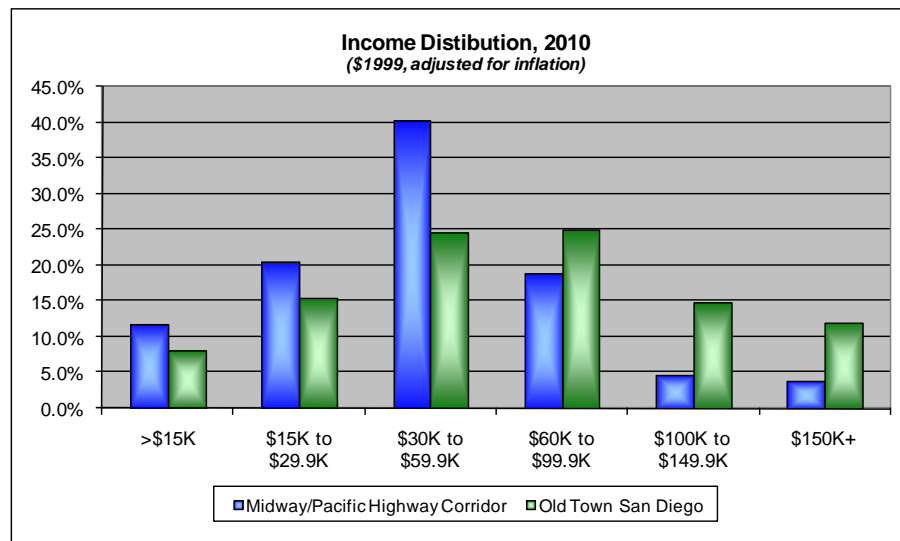
contains a lower proportion of Hispanic residents (21%) than the Midway/Pacific Highway CPA with 30%.



Source: SANDAG

Income

Based on SANDAG's income distribution for 2010, it is evident that the Old Town CPA contains a wealthier population than the Midway/Pacific Highway CPA. Approximately 73% of the population in the Midway/Pacific Highway CPA earn less than \$60,000 annually. In contrast, 48% of the Old Town CPA population earn less than \$60,000 annually. The Old Town CPA's population earning over \$100,000 annually is approximately 27% -- while Midway/Pacific Highway is only about 9%.



Source: SANDAG

The median household income in the Old Town CPA is about \$88,000, well above that of the City (\$61,000) and County (\$63,000). The Midway/Pacific Highway CPA median household income is approximately \$56,000.

Employment

KMA evaluated employment trends by industry (place of work) in the City and County, as provided by the California Employment Development Department (EDD) from 2000 to 2010. According to the State EDD, 2010 closed with the County having 1.2 million jobs. The largest employment sectors in the County are government (19%), professional and business services (17%), and leisure and hospitality (13%). Since 2000, the County experienced a net gain of 26,000 jobs.

As of 2010, the City contained a total of 606,000 jobs, which equates to a net increase of 53,000 jobs since 2000. The largest employment sectors in the City are professional and business services (24%), education, health, and social services (22%), and leisure and hospitality (12%).

Based on SANDAG's 2008 estimate of employment in the Midway/Pacific Highway CPA and forecasted 2015 employment figure, KMA imputed the approximate number of jobs in 2010. KMA estimates there was a total of 21,400 jobs. The Midway/Pacific Highway CPA's largest employment industry is Government with about 27% of the total jobs, followed by Professional and Business Services (14%), Leisure and Hospitality (12%), and Retail Trade (12%).

One of the largest employers in the Midway/Pacific Highway CPA is the Space and Naval Warfare Systems Command (SPAWAR), which is one of largest employers for military, civilian, and industry partners in San Diego. SPAWAR currently employs about 4,600 military and civilian employees that reside in San Diego. Other large employers in the CPA consist of government agencies such as the United States Post Office facility on Midway Drive, the County Health and Human Services Agency complex on Rosecrans Street, and the San Diego Unified Port District office building on Sassafras Street.

KMA estimates the Old Town CPA contained a total of nearly 5,100 jobs in 2010. The largest employment industry in the Old Town CPA is Leisure and Hospitality (32% of the total jobs), followed by Government (22%) and Professional and Business Services (15%). The largest employer in the Old Town CPA is the California Department of Transportation District 11 (Caltrans), which employs about 1,000 individuals.

V. RESIDENTIAL MARKET OVERVIEW

A. National/Regional Trends

From 2006 forward, the national housing market has suffered substantial declines in pricing and sales activity. As a result, new ownership housing development slowed considerably. As the economy begins to slowly improve and mortgage interest rates remain at historically low levels, the for-sale housing market has begun to experience slight increases in home sales.

Likewise, demand in the national apartment and rental housing market is expected to strengthen, due in part to stricter single-family and condominium lending standards. In the long-term, there are strong fundamentals supporting attached housing development in in-fill locations. Scarcity of land, rising housing costs, and the increase in non-family households will continue to generate demand for townhomes and condominiums. One trend that is expected to continue in the multi-family housing market is affordable housing due to the financial benefits (such as tax credits and other financing vehicles) that it offers developers. However, due to the state of the current economy and fiscal crisis locally and Statewide, sources of financial assistance are limited and/or highly competitive.

Similar to the national housing market, the Southern California housing market seemed to have hit bottom and the recovery is expected to be sluggish. According to the real estate brokerage firm of Grubb & Ellis, development will continue to be slow due to the scarcity of developable land, high construction costs, and underwriting difficulties. However, a modest increase in new home construction, mainly for single-family homes, is expected.

B. Local Market Conditions

During the housing boom preceding the current downturn, new housing production in San Diego County was concentrated in Downtown San Diego, eastern Chula Vista, and the State Route (S.R.) 56 communities in the City of San Diego. The San Diego housing market was hit particularly hard by the national housing downturn, with many development proposals and entitlements put on hold. However, the long-term outlook for San Diego's multi-family market remains positive due to numerous barriers to entry, including high land costs, a large rental population, and extremely limited new multi-family development sites. Low vacancy rates, stricter lending requirements for homebuyers, and changing demographics have increased demand for rental housing.

C. Community Planning Areas

Midway/Pacific Highway Corridor CPA

There is minimal single-family detached product in either CPA. Currently, the Midway/Pacific Highway CPA contains a total of 1,800 residential units, of which only eight (8) units are single-family detached. The Old Town CPA contains a total of 440 residential units, of which 84% is multi-family.

KMA reviewed the home resales in the 92110 zip code, which also includes areas north of I-8 (Morena community). KMA's survey reveals that median values of single-family homes in the 92110 zip code have decreased 27% since 2005. According to DataQuick, the current median home price for a single-family home in the 92110 zip code is \$508,500. The neighboring communities of Point Loma and Hillcrest/Mission Hills also reflect high income home values. These values are well above the median home value for the Central San Diego submarket which is currently \$368,000.

Community	Zip Code	Single-Family Median Home Price (1)
Point Loma	92106	\$749,300
Hillcrest/Mission Hills	92103	\$520,000
Morena (includes Midway/Old Town)	92110	\$508,500
Central San Diego	N/A	\$368,000

(1) As of October 2011.

Source: DataQuick

KMA reviewed the individual sales of attached homes since January 2011. The survey found that sales of attached homes in the Midway/Pacific CPA contain a median value of \$175,000, or \$212 per SF. However, the Midway/Pacific CPA has a newer townhome development, Shona at the Bay. Shona at the Bay was developed by Lennar Corporation between 2006 and 2007 and includes large townhome units. The sales at Shona at the Bay range between \$385,000 and \$399,000, or \$226 and \$277 per SF, respectively.

Based on a report by Marcus & Millichap, the apartment market has maintained steady improvement since its lowest point in 2009. Effective apartment rents in the County have increased 2.2% over the past year, yielding a current average monthly rent of \$1,287. The highest rental markets in the County are located in the beach areas.

The Midway/Pacific Highway CPA contains some larger scale rental developments and several senior rental developments. Rental market data obtained from MarketPointe Realty Advisors finds that rental rates in the Point Loma/Old Town areas range between \$895 and \$1,850 per month, with an average rent of \$1,350 per month. Vacancy is at 6.6%, which is higher than the County average of 3.4%.

Old Town San Diego CPA

Over the past year, KMA identified one (1) single-family detached home sale directly outside of the Old Town CPA boundary. The sale occurred in March 2011 for an approximately 2,300-SF home on Juan Street. The home is located across from Heritage Park and sold for \$1,062,500, or \$468 per SF. KMA's survey of condominium resales in the 92110 zip code finds that sales have decreased by 43% since 2005. According to DataQuick, the current median home price for a condominium in the 92110 zip code is \$220,000. The Point Loma and Hillcrest/Mission Hills condominium values remain higher than the 92110 zip code and the Central submarket.

Community	Zip Code	Condominium Median Home Price (1)
Point Loma	92106	\$441,300
Hillcrest/Mission Hills	92103	\$270,000
Morena (Midway/Old Town)	92110	\$220,000
Central San Diego	N/A	\$236,500

(1) As of October 2011.

Source: DataQuick

KMA also surveyed sales of attached homes in the Old Town CPA and found that all of the sales occurred within one complex, The Terraces at Mission Hills located at Congress and Hortensia Streets. The median value of these sales was \$244,000, or \$294 per SF.

The Old Town CPA has very few traditional apartment buildings. Rental units in the Old Town CPA are in the form of small-scale two- to four-story apartment buildings and/or duplex units.

VI. OFFICE MARKET OVERVIEW

A. National/Regional Trends

The national residential market downturn contributed to decreased office space demand from related users, e.g., mortgage, title, escrow companies, lenders, and investors. While the residential downturn was likely the initial cause of the decreased demand for office space, the recession that followed was a major contributing factor for increased vacancies in office space as many businesses downsized or shut their doors permanently. As businesses downsized or closed, the inventory of sublease space put additional downward pressure on rental rates for Class A and B office space. (Based on the Building Owners and Managers Association International's rating system, Class A and B office space facilities typically are considered good to premier and have rents that are above the average for the region.)

B. Local Market Conditions

According to Voit Real Estate Services, the San Diego County office market comprises approximately 99.2 million SF of space. The County office market has been at its weakest in more than a decade, with an overall vacancy of 14.7 percent. However, as of 3rd quarter 2011, absorption has been positive, lease rates have increased, and vacancy has declined slightly. The Downtown office market comprises about 13 percent of the County's total office space. Although it is the largest office submarket in the County, it is not dominant. In the recent past, the strongest office submarkets in the County have been in the I-5 and I-15 corridors in North County, where major high tech employment is located. In addition, the submarkets of Mission Valley, Sorrento Mesa, Kearny Mesa, University City, Del Mar Heights and Carlsbad each have significant concentrations of space each ranging from four million to nine million SF.

There is currently 981,000 SF of office development under construction in the County, the bulk being developed in Kearny Mesa. At the end of 3rd quarter 2011, the County had an average asking rental rate of \$2.15 per SF full-service gross (FSG). (FSG is a form of rental agreement where the landlord assumes the payment of all real estate taxes, building insurance and maintenance.) High vacancy rates are still being experienced throughout the County and are most likely attributable to businesses downsizing or closing.

C. Community Planning Areas

Midway/Pacific Highway Corridor CPA

Office space in the Midway/Pacific Highway CPA is mainly occupied by institutional uses. The Midway/Pacific Highway CPA boasts a variety of government, educational, and medical office users, such as:

- San Diego County Health and Human Services Agency
- San Diego Unified Port District
- Point Loma Convalescent Hospital
- Kaiser Permanent medical facility
- Urgent Care and More
- United States Post Office
- San Diego Community College – West City Campus
- Dewey Elementary School

According to Voit Real Estate Services, the Old Town and Point Loma submarket contains a total of 2.5 million SF of office space. The average asking rental rate is \$1.57 per SF with a vacancy rate of 8.3%. KMA identified 6,800 SF of vacant medical office space in the Urgent Care and More office building available for lease at an asking lease rate of \$1.75 per SF.

According to CoStar Group, Inc., the Midway/Pacific Highway CPA contains a total of 748,000 SF of office space. Of this inventory, approximately 36,000 SF of office space is vacant, which represents an overall vacancy rate of 4.8%. As shown below, asking rents for the vacant office space ranges between \$0.85 and \$2.36 per SF. The highest asking rents are located in the Mission Brewery Plaza at Pacific Highway and Washington Street.

Address	Total Available Space (SF)	Vacancy Rate	Average Asking Lease Rate
3780 Hancock St.	1,200	12%	\$1.10
3555-3575 Kenyon St.	1,205	9%	\$1.75
3481-3491 Kurtz St.	1,000	6%	\$0.85
3205 Midway Dr.	800	15%	\$0.87
3644-3646 Midway Dr.	2,500	51%	\$1.20
3065 Rosecrans Pl.	5,300	25%	\$1.25
3045 Rosecrans St.	4,500	16%	\$1.40
3252-3260 Rosecrans St.	1,200	9%	\$1.05
1775 Hancock St.	1,794	4%	\$1.45
2120 W. Washington St.	4,338	72%	\$2.35
2150 W. Washington St.	12,038	26%	\$2.36
Total/Average	35,875	22%	\$1.39

(1) As of October 2011.

Source: CoStar Group, Inc.

Office building sales in the Midway/Pacific Highway CPA from January 2008 to the present ranged between \$121 and \$296 per SF of building area. Along Pacific Highway there were a few office condominium sales. The office condominiums ranged in size from 466 SF to 1,210 SF and sold between \$109 and \$366 per SF of building area.

Old Town San Diego CPA

The Old Town CPA contains a total of 775,000 SF of office space. Nearly 40% of this inventory is due to the construction of the Caltrans District 11 headquarters. The construction of the 301,000-SF office development in 2009 is the most recent and largest office development in the Old Town CPA. The office building consolidated nearly 1,000 Caltrans employees who had previously been located at different locations throughout the County. Caltrans previously occupied 116,000 SF across from its new location on Taylor Street. The vacant Caltrans building is currently being auctioned. According to CoStar Group, Inc., there have been no office building sales in the Old Town CPA since 2008.

Vacant office space in the Old Town CPA is minimal. There is approximately 147,000 SF of vacant space, of which 116,000 SF is due to the vacant Caltrans building. Other vacant space is generally small in size, ranging between 865 SF and 12,786 SF. Asking lease rates for these properties range between \$1.50 and \$2.50 per SF, or an average of \$1.93 per SF.

Address	Total Available Space (SF)	Vacancy Rate	Average Asking Lease Rate
3921 Ampudia St.	2,670	100%	N/A
4062 Harney St.	2,300	100%	\$2.50
2829 Juan St.	115,735	100%	N/A
2254 Moore St.	865	9%	\$1.50
2356 Moore St.	2,906	24%	\$1.80
3990 Old Town Ave.	12,486	36%	\$1.70
2251 San Diego Ave.	1,833	5%	\$1.80
2415 San Diego Ave.	8,586	38%	\$2.25
Total/Average	147,381	12%	\$1.93

(1) As of October 2011.
Source: CoStar Group, Inc.

VII. INDUSTRIAL MARKET OVERVIEW

A. National/Regional Trends

Similar to the office market, the national residential market downturn likely contributed to decreased industrial space demand from related users, e.g., homebuilders, textile industry, and home furnishings. The nation's economy is expected to make a healthy recovery after these difficult years. The industrial sector is anticipated to recover stronger than the other real estate sectors as employment and demand rises which will lead to manufacturing output and growth in the shipment of goods. Vacancy rates are projected to decrease as demand rises and there is little to no new construction of industrial space.

B. Local Market Conditions

According to Voit Real Estate Services, the San Diego County industrial market contains 163.6 million SF of manufacturing/warehouse space and 45.3 million SF of flex/research and development (R&D) space for a total of 208.9 million SF. As of the 1st quarter of 2011, the County had an average asking rental rate of \$0.66 per SF NNN for manufacturing/warehouse space and an asking rental rate of \$1.11 per SF for flex/R&D space.

Vacancy is currently measured at 8.3% for manufacturing/warehouse space and 16.7% for flex/R&D space. The largest submarkets for industrial space in the County are Miramar, Kearny Mesa, and Otay Mesa. Approximately 28% of the total industrial space in the County is R&D space. The submarkets with the largest amount of R&D space are Sorrento Mesa, Carlsbad, and Kearny Mesa. There is currently no new industrial space under construction.

C. Community Planning Areas

Midway/Pacific Highway Corridor CPA

According to Voit Real Estate Services, there is approximately 4.4 million SF of industrial space in the Airport/Sports Arena submarket. Vacancy rates appear to be among the lowest rates in the County.

Airport/Sports Arena Submarket (1)	SF	Overall Vacancy Rate	Asking Lease Rate
Manufacturing/Warehouse	3,931,000	1.9%	\$0.80
Flex/R&D	421,500	2.8%	N/A

(1) As of 3rd quarter 2011.

Source: Voit Real Estate Services

There is a large presence of industrial space in the Midway/Pacific Highway CPA. Industrial space is concentrated within two general areas of the Midway/Pacific Highway CPA: along I-8 north of the Sports Arena and along Pacific Highway and I-5. KMA reviewed industrial properties for lease and found active listings for 325,000 SF of vacant industrial space. The average asking lease rate is \$0.83 per SF, which represents a mix of FSG and triple-net (NNN) lease formats. (Triple net is defined as a type of rental rate in which the tenant assumes the cost for taxes, insurance, and maintenance in addition to the base rental rate.)

According to CoStar Group, Inc., sales of industrial buildings since January 2008 and the present sold between \$82 and \$154 per SF of building. The median price per SF of building was \$108. The majority of these sales occurred in the industrial area adjacent to the Sports Arena.

Old Town San Diego CPA

There is essentially no industrial space in the Old Town CPA. According to the City's survey of existing land uses, it appears there is approximately 56,000 SF of industrial warehouse space which is contained within a single property.

VIII. LODGING MARKET OVERVIEW

A. National/Regional Trends

Despite strong market performance in many submarkets, new hotels have been difficult to finance due to the recession, overall market performance, and more stringent lending requirements. In 2008, non-essential travel declined as individuals and businesses became more budget conscious. This trend continued throughout 2009, with declining economic growth, historically high unemployment levels, declining home values, and depressed consumer confidence. Due to these factors, the U.S. hotel market experienced one of the deepest and longest recessions in the history of the lodging industry. In 2010, the Southern California lodging market began to see increases in demand for hotel rooms, with certain submarkets returning to near 2007 occupancy levels.

Regardless of market conditions, Southern California remains one of the most desirable visitor destinations in the U.S., due to favorable climate, beaches, and ample entertainment, dining and shopping opportunities

B. Local Market Conditions

The San Diego County visitor market continues to be among the strongest in the nation. The region's diverse economy, its popularity with visitors from the western U.S., and its status as a first-tier convention city all contribute to its success. The San Diego County visitor market continues to be among the strongest in the nation. According to the San Diego Convention and Visitors Bureau, visitor growth in San Diego increased by 5.1% in the 2nd quarter of 2011. The region's diverse economy, its popularity with visitors from the western U.S., and its status as a first-tier convention city contribute to its success. In 2011, more than 31.1 million visitors came to San Diego, of which approximately 15.7 million were overnight guests and about 15.4 million were day visitors. Visitors to San Diego spent nearly \$7.5 billion in 2011, which is an increase of nearly 6% from 2010. Transient occupancy tax collection figures indicate that the approximately 79% of the local hotel visitor spending in 2011 was captured within the City of San Diego.

According to PKF Hospitality Research (PKF), the top three submarkets in terms of average daily rate (ADR) are San Diego Bay Areas, La Jolla, and Downtown, which all contained an ADR above \$170. The County's overall ADR is \$155, an increase of 2.9% since 2010. Currently, the Downtown submarket has the highest occupancy rate in the County, which is 81%, followed by the Mission Bay submarket (78%) and North City/UTC (76%). The County's occupancy rate is 76%, an increase of 3.6% since 2010.

C. Community Planning Areas

Midway/Pacific Highway CPA

Like other submarkets affected by the economy, the Sports Arena/Old Town submarket has decreased in both ADR and occupancy. The Sports Arena/Old Town submarket currently contains an ADR of \$108 and a 70% occupancy rate. ADR in the Sports Arena/Old Town submarket decreased by 4.2% annually since 2006 and is still lower than the County (\$155 ADR). Occupancy levels were lower in the Sports Arena/Old Town submarket in 2011 than previous years and are below the County average of 76%.

KMA's survey of existing hotels in the Midway/Pacific Highway CPA finds there to be 11 hotels with a total of 1,337 rooms. The hotels located within the Midway/Pacific Highway CPA are generally limited service budget hotels. Average room rates range from \$42 to \$369, depending on the peak or off-peak season. An evaluation of hotel building sales finds that there have been three (3) sales since 2008 in the Midway/Pacific Highway CPA. The sales range between \$91 to \$424 per SF of building, or a median of \$157 per SF.

Old Town San Diego CPA

The Old Town CPA is a known visitor destination in California with its long history dating back to the 1800s and is considered the "birthplace" of California. The focal point for the area is the 10-acre State Historic Park. Heritage tourism to Old Town should continue to help Old Town thrive in the future. According to the National Trust for Historic Preservation, heritage tourism is defined as "traveling to experience the places, artifacts, and activities that authentically represent the stories and people of the past and present. It includes cultural, historic and natural resources". According to the Office of Travel and Tourism Industries, "visiting historical sites" was the 3rd top activity for foreign travelers behind shopping and dining in restaurants.

KMA identified 7 hotels and one (1) boutique hotel in the Old Town CPA with a total of 851 rooms. While the hotels in the Old Town CPA are mainly limited service hotels, the design and architecture of the hotels complement the historic character and provide a unique setting for tourists visiting Old Town. The County of San Diego is planning to convert seven restored historic Victorian houses along Heritage Park Row into bed and breakfast hotels. This addition is proposed to add 80 new rooms to the existing Old Town inventory. Average room rates for existing hotels range from \$39 to \$273. The survey of hotel sales in the Old Town CPA finds that two (2) sales occurred in 2011 between \$389 and \$470 per SF of building, or an average of \$429 per SF.

IX. RETAIL MARKET OVERVIEW

A. National/Regional Trends

Commercial real estate markets are experiencing a high level of uncertainty, dysfunction, and lack of confidence due to the global economic crisis. Problems originally concentrated in the housing market have spread to other land use sectors, with new real estate development of all types grinding to a halt. The retail sector is particularly impacted, with consumer spending at its lowest level in years, and retail landlords struggling to find or retain tenants. Given the current and anticipated near-term economic climate, it is difficult to be optimistic about demand for new real estate development within a reasonable planning horizon. However, many regional economists project the beginning of a market turnaround in Southern California within the next two years.

Several corporate retailers have scaled back or closed a number of their stores, which has allowed small “mom & pop” stores to take advantage of current market conditions. The current vacancy rates and lower rents have provided them with leasing opportunities in markets that were previously inaccessible. National retail sales are on the rise and discount retailers are doing quite well as they have been able to capture market share from their upscale competitors.

The growth in baby boomer, senior, and immigrant populations is increasing the demand for mixed-use developments with active pedestrian environments that offer specialty stores, eating and drinking, and entertainment venues. In order to capitalize on this demand, regional retail centers are being re-positioned as “lifestyle centers” emphasizing apparel, home goods, and electronics stores in combination with restaurants and entertainment in an open-air, “main street” environment. Many of the regional malls throughout San Diego, Riverside, and Orange Counties are undergoing expansion, renovation, and/or re-tenanting to remain competitive.

B. Local Market Conditions

The San Diego County retail market contains a total of 140.5 million SF. Voit Real Estate Services reported at the end of the 3rd quarter 2011 that the County had an average asking rental rate of \$1.82 per SF NNN. The vacancy rate was measured at 5.2%. Lease rates in the 3rd quarter have remained flat, however vacancy rates are declining, and the County is experiencing positive net absorption – an improvement from 2nd quarter 2011. There is currently 216,000 SF of new retail space under construction throughout the County.

The Chula Vista and Eastlake submarkets combined rank first in terms of largest retail submarket, which is no surprise considering the vast retail development that has occurred in eastern Chula Vista over the last decade. Escondido and El Cajon follow closely in terms of

inventory as each city has undergone significant changes and expansions to their regional shopping centers; however these submarkets have lower asking lease rates compared to the balance of the County.

C. Community Planning Areas

Midway/Pacific Highway Corridor CPA

The Point Loma/Sports Arena submarket contains a total of 4.4 million SF of retail space. According to Voit Real Estate Services, the average asking lease rate is \$2.03 per SF with a vacancy rate of 6.3%. The Midway/Pacific Highway CPA is served by a wide variety of neighborhood and community shopping centers, which typically draw from a 3- to 6-mile trade area. KMA's survey of retail properties in the Midway/Pacific Highway CPA finds that there is approximately 1.4 million SF of retail space. KMA's review of vacant retail space found there to be 132,000 SF of available space. The average asking lease rate for these spaces is \$1.85 per SF.

KMA's survey of shopping centers finds that there are seven (7) large shopping centers with approximately 950,000 SF of retail space. These centers are served by several anchor tenants, such as Home Depot, Target, Staples, Ross Dress For Less, PetSmart, Sports Chalet, TJ Maxx, and the recent addition of Home Goods. Like many Target stores throughout the County, the Target store on Sports Arena Boulevard recently expanded to allow for groceries, eye and prescription services, and a Starbuck's coffee lounge. In addition, the Ralph's grocery store vacated its existing space to locate adjacent to Target in the former Mervyn's department store space.

The residents of the Midway/Pacific Highway CPA are also served by four grocery stores (Ralph's, Vons, Smart & Final, and Sprouts Farmer's Market) and two drug stores (CVS and Walgreens). KMA reviewed retail building sales from 2008 to the present. The survey found that sales of retail buildings (excluding gas/service stations) ranged between \$130 and \$245 per SF of building, with a median price per SF of \$130.

KMA also evaluated the strength of sales exhibited by retail uses for the Midway/Pacific Highway CPA from 2005 to 2010 in comparison to the taxable retail sales for the City and County. Due to the limited amount of retail establishments in the CPAs and the State Board of Equalization's minimum threshold requirements for release of sales tax information, several retail categories were combined. For purposes of KMA's analysis, retail categories referenced as Aggregated Confidential include following: auto dealers and supplies, building materials and farm implements, drug stores, food stores, general merchandise, packaged liquor, and service stations.

Due to economic conditions, retail sales have decreased in many retail categories within the CPA, City, and County. From the period of 2005 to 2010, the City and County experienced an overall annual decrease in taxable retail sales of 1.6% and 2.4%, respectively. The Midway/Pacific Highway CPA experienced an average annual decrease of 3.2%.

Based on the data, the Midway/Pacific Highway CPA suffered an above average decrease due to the home furnishings and appliances retail category. The home furnishings and appliances categories declined nearly 65% since 2005. The eating and drinking category in the Midway/Pacific CPA increased by nearly 58% since 2005, or an annual increase of 9.5%.

Old Town San Diego CPA

Retail space in the Old Town CPA is very different from the Midway/Pacific Highway CPA. Retail in the Old Town CPA consists mainly of themed-retail, restaurants, and service-oriented businesses with entertainment as a unifying theme. There are several shops and restaurants located throughout the Old Town CPA with the large concentration located along Juan Street, San Diego Avenue, Congress Avenue, and in the heart of the Old Town San Diego State Historic Park. The historical significance of properties has kept buildings in their existing architectural character and only allowed for reuse of existing properties.

The Old Town CPA contains a total of 297,000 SF of retail space and essentially contains no vacancies. There is currently one (1) active listing for up to 3,500 SF of flexible commercial space along San Diego Avenue with an asking lease rate of \$1.95 per SF. Sales of retail buildings in the Old Town CPA are also nominal. KMA identified two (2) retail building sales in 2009. The sales are located along Taylor Street and San Diego Avenue and range between \$192 and \$441 per SF of building, with a median of \$317 per SF.

In terms of sales of retail goods in the Old Town CPA, the CPA overall experienced an average annual decrease of 1.1%. However, since 2005 the Old Town CPA increased by 30% in the Aggregated Confidential category, which may be attributable to visitor spending of unique curios and other such mementos. Apparel stores in the Old Town CPA also saw an increase of 12%, or 2.3% annually. Eating and drinking establishments decreased by 1.9% annually. Other retail stores which include second-hand retailers, gardening supplies, etc. experienced the largest decrease at 8.1% annually.

X. LIMITING CONDITIONS

1. KMA has made extensive efforts to confirm the accuracy and timeliness of the information contained in this document. Such information was compiled from a variety of sources deemed to be reliable including state and local government, planning agencies, and other third parties. Although KMA believes all information in this document is correct, it does not guarantee the accuracy of such and assumes no responsibility for inaccuracies in the information provided by third parties. Further, no guarantee is made as to the possible effect on development of current or future Federal, State, or local legislation including environmental or ecological matters.
2. The accompanying projections and analyses are based on estimates and assumptions which were developed using currently available economic data, project specific data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize and unanticipated events and circumstances may occur. Such changes are likely to be material to the projections and conclusions herein and, if they occur, require review or revision of this document.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

TECHNICAL APPENDIX
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
COMMUNITY PLAN AREA UPDATES
CITY OF SAN DIEGO

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Appendix A

Demographic Overview

TABLE A-1

OVERVIEW OF DEMOGRAPHIC CONDITIONS, 2010-2030
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

	<u>Midway/Pacific Highway Corridor</u>	<u>Old Town San Diego</u>	<u>City of San Diego</u>	<u>County of San Diego</u>
I. Population				
2010 Estimate	3,857	673	1,376,173	3,224,432
2020 Forecast	4,390	740	1,542,324	3,535,000
2030 Forecast	7,722	895	1,690,232	3,870,000
Historical Population Growth, 2000-2010	-1.87%	-1.10%	1.18%	1.37%
Forecasted Population Growth, 2010-2030	3.53%	1.44%	1.03%	0.92%
Median Age (years)	31.8	38.8	35.6	35.3
II. Housing Units				
2010 Estimate	1,822	440	511,820	1,149,426
2020 Forecast	2,133	470	577,416	1,262,488
2030 Forecast	3,970	547	629,694	1,369,807
Forecasted Housing Unit Growth, 2010-2030	3.97%	1.09%	1.04%	0.88%
Average Household Size	1.85	1.68	2.80	2.93
III. Income (<i>in current \$</i>)				
2010 Estimated Per Capita Income (PCI) (1)	\$24,724	\$26,195	\$23,608	\$22,926
Aggregate Personal Income	\$95.4 Million	\$17.6 Million	\$32.5 Billion	\$73.9 Billion
2010 Median Household Income	\$56,539	\$87,627	\$61,118	\$62,771

(1) Based on Claritas, Inc. 2010 estimate.

Source: SANDAG

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/18/2012; ema

TABLE A-2

DISTRIBUTION OF POPULATION BY AGE AND AREA, 2010
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

Geography	17 and Under	18-24	25-44	45-64	65 and Older	Total
Midway/Pacific Highway Corridor	25.8%	10.7%	41.4%	13.1%	9.0%	100.0%
Old Town San Diego	23.8%	7.7%	28.4%	21.2%	18.9%	100.0%
City of San Diego	22.6%	11.3%	30.6%	24.1%	11.3%	100.0%
County of San Diego	23.9%	11.5%	28.2%	24.6%	11.7%	100.0%

TABLE A-3

DISTRIBUTION OF POPULATION BY RACE AND ETHNICITY BY AREA, 2010
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

Geography	Race (1)						Ethnicity (2)
	Caucasian	African American	American Indian and Alaska Native	Asian and Pacific Islander	Other	Total	Hispanic
Midway/Pacific Highway Corridor	70.9%	13.3%	0.3%	8.7%	6.8%	100.0%	29.8%
Old Town San Diego	81.5%	6.1%	0.4%	5.6%	6.5%	100.0%	20.8%
City of San Diego	62.0%	9.6%	0.5%	22.3%	5.6%	100.0%	39.4%
County of San Diego	70.9%	7.5%	0.8%	15.6%	5.3%	100.0%	44.1%

(1) Race refers to the concept of dividing people into populations or groups on the basis of various sets of physical characteristics, i.e., color, facial features, etc.

(2) Ethnicity is a population of human beings whose members identify with each other, on the basis of a real or a presumed common genealogy or ancestry.

Source: SANDAG

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL;4/13/2012;ema

TABLE A-4

DISTRIBUTION OF HOUSEHOLD INCOME BY AREA, 2010
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

(\$1999, adjusted for inflation)

Geography	Less than \$15,000	\$15,000 to \$29,999	\$30,000 to \$44,999	\$45,000 to \$59,999	\$60,000 to \$74,999	\$75,000 to \$99,999	\$100,000 to \$124,999	\$125,000 to \$149,000	\$150,000 or More	Total
Midway/Pacific Highway Corridor	11.8%	20.5%	25.7%	14.6%	8.5%	10.4%	2.2%	2.5%	3.9%	100.0%
Old Town San Diego	8.1%	15.5%	15.3%	9.4%	9.9%	15.0%	7.6%	7.1%	12.0%	100.0%
City of San Diego	15.1%	19.1%	17.4%	13.3%	10.5%	10.6%	5.9%	2.8%	5.4%	100.0%
County of San Diego	13.6%	19.0%	17.7%	13.9%	10.8%	11.0%	6.1%	2.9%	5.2%	100.0%

Source: SANDAG

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL;4/18/2012;ema

TABLE A-5

EMPLOYMENT PROFILE BY INDUSTRY, CITY AND COUNTY, 2000-2010 ⁽¹⁾
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

	City of San Diego				San Diego County			
	<u>2000 Actual</u>	<u>2010 Estimate</u>	<u>% of Total</u>	<u>Average Annual 2000-2010</u>	<u>2000 Actual</u>	<u>2010 Estimate</u>	<u>% of Total</u>	<u>Average Annual 2000-2010</u>
Government	N/A	N/A	N/A	N/A	206,600	226,000	18.5%	0.9%
Professional and Business Services	134,343	147,628	24.4%	0.9%	198,800	208,000	17.0%	0.5%
Education, Health, and Social Services	114,100	133,426	22.0%	1.6%	115,400	147,200	12.1%	2.5%
Leisure and Hospitality	58,251	73,867	12.2%	2.4%	129,000	154,600	12.7%	1.8%
Retail Trade	56,857	60,580	10.0%	0.6%	133,800	130,000	10.7%	-0.3%
Manufacturing	58,750	56,380	9.3%	-0.4%	122,600	92,400	7.6%	-2.8%
Finance, Insurance, and Real Estate	40,476	43,137	7.1%	0.6%	107,000	92,300	7.6%	-1.5%
Other Services	27,519	30,641	5.1%	1.1%	42,200	47,200	3.9%	1.1%
Construction	26,441	24,350	4.0%	-0.8%	69,700	55,500	4.5%	-2.3%
Transportation, Warehousing and Utilities	20,268	19,793	3.3%	-0.2%	29,800	27,500	2.3%	-0.8%
Wholesale Trade	14,780	14,050	2.3%	-0.5%	39,100	39,200	3.2%	0.0%
Natural Resources and Mining	1,591	2,175	0.4%	3.2%	300	400	0.0%	2.9%
Total Employment	553,376	606,027	100.0%	0.9%	1,194,300	1,220,300	100.0%	0.2%

(1) Reflects non-farm employment by place of work.

TABLE A-6

EMPLOYMENT PROFILE BY INDUSTRY AND CPA, 2000-2030 ⁽¹⁾
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

	<u>2000 Actual</u>	<u>2010 Estimate ⁽²⁾</u>	<u>% of Total</u>	<u>Average Annual 2000-2010</u>	<u>2020 Forecast</u>	<u>2030 Forecast</u>
I. Midway/Pacific Highway Corridor CPA						
Government	N/A	5,728	26.7%	N/A	5,736	5,892
Professional and Business Services	367	3,076	14.4%	23.7%	3,083	3,237
Leisure and Hospitality	214	2,554	11.9%	28.1%	2,559	2,691
Retail Trade	168	2,540	11.9%	31.2%	2,541	2,681
Other Services	113	2,367	11.1%	35.6%	2,377	2,486
Education, Health, and Social Services	302	1,756	8.2%	19.3%	1,760	1,896
Finance, Insurance, and Real Estate	168	1,194	5.6%	21.7%	1,194	1,325
Construction	64	782	3.6%	28.4%	782	782
Manufacturing	46	689	3.2%	31.1%	681	677
Transportation, Warehousing and Utilities	124	460	2.1%	14.0%	460	460
Wholesale Trade	60	265	1.2%	16.0%	265	265
Natural Resources and Mining	3	10	0.0%	12.8%	10	10
Total Employment, Midway/Pacific	1,629	21,419	100.0%	29.4%	21,448	22,402
II. Old Town San Diego CPA						
Leisure and Hospitality	51	1,608	31.5%	41.2%	1,611	1,653
Government	N/A	1,136	22.3%	N/A	1,139	1,188
Professional and Business Services	112	763	15.0%	21.1%	767	817
Construction	23	436	8.5%	34.2%	436	436
Education, Health, and Social Services	62	366	7.2%	19.4%	368	420
Finance, Insurance, and Real Estate	31	274	5.4%	24.3%	274	315
Other Services	14	238	4.7%	32.7%	245	253
Retail Trade	43	197	3.9%	16.4%	197	243
Wholesale Trade	0	66	1.3%	N/A	66	66
Manufacturing	27	9	0.2%	-10.4%	9	9
Natural Resources and Mining	0	5	0.1%	N/A	5	5
Transportation, Warehousing and Utilities	15	0	0.0%	-100.0%	0	0
Total Employment, Old Town	378	5,097	100.0%	29.7%	5,117	5,405

(1) Reflects non-farm employment by place of work.

(2) Imputed by KMA based on average annual change from estimated 2008 to 2015 employment projection.

Source: SANDAG

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/13/2012;ema

Appendix B

Residential Market Overview

TABLE B-1

HOUSING INVENTORY BY UNIT TYPE AND AREA, 2010
 MARKET ANALYSIS
 MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
 CITY OF SAN DIEGO

	<u>Single-Family (detached)</u>		<u>Multi-Family (attached)</u>		<u>Other (includes mobile homes)</u>		<u>Totals</u>		<u>Percent Vacant</u>
	<u>Total</u>	<u>Percent</u>	<u>Total</u>	<u>Percent</u>	<u>Total</u>	<u>Percent</u>	<u>Total</u>	<u>Percent</u>	
Midway/Pacific Highway Corridor	8	0.4%	1,814	99.6%	0	0.0%	1,822	100.0%	3.6%
Old Town San Diego	72	16.4%	368	83.6%	0	0.0%	440	100.0%	10.7%
City of San Diego	211,023	41.2%	295,236	57.7%	5,561	1.1%	511,820	100.0%	6.8%
County of San Diego	560,699	48.8%	545,854	47.5%	42,873	3.7%	1,149,426	100.0%	7.0%

Source: SANDAG

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Mdway-Pacific-Old Town_FINAL\4/13/2012;ema

TABLE B-2

COMPARATIVE OVERVIEW OF MEDIAN HOME PRICES - SINGLE-FAMILY RESALES, OCTOBER 2011
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

<u>Community</u>	<u>Zip Code</u>	<u>Number of Sales</u>	<u>Median Home Price Single-Family</u>
La Jolla	92037	22	\$1,350,000
Coronado	92118	12	\$1,277,500
Point Loma	92106	12	\$749,318
Mission Beach/Pacific Beach	92109	12	\$647,500
University City	92122	9	\$576,000
Ocean Beach	92107	4	\$575,000
Scripps Ranch	92131	22	\$540,000
Hillcrest/Mission Hills	92103	7	\$520,000
Morena (includes Midway/Old Town)	92110	8	\$508,500
Tierrasanta	92124	5	\$470,500
Kensington/Normal Heights	92116	20	\$457,500
North Park	92104	14	\$457,500
Allied Gardens/Del Cerro	92120	28	\$443,500
Downtown	92101	2	\$420,000
San Carlos	92119	11	\$389,000
Linda Vista	92111	19	\$379,500
Clairemont	92117	36	\$370,000
College	92115	36	\$351,000
Mira Mesa	92126	31	\$350,000
Serra Mesa	92123	14	\$348,500
Paradise Hills	92139	20	\$235,000
Encanto	92114	59	\$220,000
City Heights	92105	23	\$185,000
Golden Hill	92102	14	\$180,000
Logan Heights	92113	10	\$153,500
Mission Valley	92108	0	N/A
Sorrento Valley	92121	0	N/A
Total, Central San Diego	N/A	450	\$368,000

Source: DataQuick via DQ News.com

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/13/2012;ema

TABLE B-3

COMPARATIVE OVERVIEW OF MEDIAN HOME PRICES - CONDOMINIUM RESALES, OCTOBER 2011
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

<u>Community</u>	<u>Zip Code</u>	<u>Number of Sales</u>	<u>Median Home Price Condominium</u>
Coronado	92118	10	\$950,000
La Jolla	92037	28	\$597,500
Ocean Beach	92107	7	\$520,000
Point Loma	92106	4	\$441,000
Downtown	92101	60	\$385,000
Tierrasanta	92124	2	\$337,500
Scripps Ranch	92131	14	\$316,500
Mission Beach/Pacific Beach	92109	17	\$315,000
Sorrento Valley	92121	4	\$314,000
Hillcrest/Mission Hills	92103	27	\$270,000
Linda Vista	92111	12	\$263,250
Serra Mesa	92123	7	\$221,000
Mission Valley	92108	28	\$220,000
Morena (includes Midway/Old Town)	92110	13	\$220,000
North Park	92104	17	\$204,000
Clairemont	92117	8	\$190,500
Mira Mesa	92126	23	\$190,000
University City	92122	17	\$184,000
Kensington/Normal Heights	92116	20	\$152,000
Golden Hill	92102	5	\$150,500
San Carlos	92119	11	\$145,000
Allied Gardens/Del Cerro	92120	8	\$136,500
Paradise Hills	92139	11	\$115,000
College	92115	21	\$100,000
City Heights	92105	10	\$92,000
Logan Heights	92113	1	\$72,000
Encanto	92114	0	N/A
Total, Central San Diego	N/A	385	\$236,500

Source: DataQuick via DQ News.com

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/13/2012;ema

TABLE B-4

HISTORICAL MEDIAN HOME PRICES, 92110 ZIP CODE
 MARKET AND ECONOMIC ANALYSIS
 EUCLID + MARKET LAND USE AND MOBILITY PLAN
 WRT / CITY OF SAN DIEGO

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> ⁽¹⁾	<u>Change, 2005 to 2011</u>	
								<u>Absolute</u>	<u>Percent</u>
<u>Single-Family Homes</u>									
92110	\$700,000	\$661,500	\$552,000	\$522,500	\$520,000	\$520,000	\$508,500	(\$191,500)	-27.4%
Central San Diego	\$540,000	\$527,500	\$488,000	\$345,000	\$355,000	\$390,000	\$368,000	(\$172,000)	-31.9%
<u>Condominiums</u>									
92110	\$385,500	\$377,000	\$270,000	\$280,000	\$265,000	\$260,000	\$220,000	(\$165,500)	-42.9%
Central San Diego	\$420,500	\$399,500	\$350,000	\$228,250	\$250,000	\$258,000	\$236,500	(\$184,000)	-43.8%

(1) As of 1st quarter 2011.

Source: DataQuick via DQ News.com

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Mdway-Pacific-Old Town_FINAL\4/13/2012;ema

TABLE B-5

**SURVEY OF ATTACHED HOME SALES, JANUARY 2011 TO PRESENT
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO**

<u>Date Sold</u>	<u>Address</u>	<u>Sales Price</u>	<u>Unit SF</u>	<u>\$/SF</u>	<u>Unit Type</u>		<u>Year Built</u>
					<u>Beds</u>	<u>Baths</u>	
I. Midway/Pacific Highway Corridor							
06/30/11	3211 Midway Dr., #304	\$162,000	951	\$170	2	2	1980
06/01/11	3537 Sandcastle Ln.	\$385,000	1,703	\$226	3	3	2006
04/20/11	3140 Midway Dr., #103	\$175,000	760	\$230	2	2	1980
04/18/11	3528 Shoreline Bluff Ln.	\$396,000	1,455	\$272	2	2	2007
03/30/11	3140 Midway Dr., #A208	\$149,900	760	\$197	2	2	1980
03/29/11	3142 Midway Dr., #B304	\$85,000	532	\$160	1	1	1980
03/25/11	3186 Cabrillo Bay Ln.	\$399,000	1,440	\$277	2	2	2006
02/16/11	3215 Midway Dr., #701	\$175,000	951	\$184	2	2	1980
	Minimum	\$85,000	532	\$160	1	1	1980
	Maximum	\$399,000	1,703	\$277	3	3	2007
	Median	\$175,000	951	\$212	2	2	1980
	Average	\$240,863	1,069	\$215	2	2	1990
II. Old Town San Diego							
10/27/11	3985 Hortensia St., #F10	\$221,689	780	\$284	2	2	1987
09/20/11	3961 Hortensia St., #H10	\$245,000	832	\$294	2	2	1987
08/03/11	3961 Hortensia St., #H11	\$245,000	780	\$314	2	2	1987
07/01/11	3965 Hortensia St., #D2	\$240,000	780	\$308	2	2	1987
07/01/11	2235 Linwood St., #A3	\$230,000	832	\$276	2	2	1987
06/03/11	2225 Linwood St., #B2	\$243,000	830	\$293	2	2	1987
05/20/11	2215 Linwood St., #C4	\$266,500	900	\$296	2	2	1987
04/22/11	1828 Linwood St., #7	\$325,000	1,350	\$241	2	2	1975
03/18/11	2235 Linwood St., #A2	\$239,900	832	\$288	2	2	1987
01/28/11	3975 Hortensia St., #E9	\$260,000	780	\$333	2	2	1987
	Minimum	\$221,689	780	\$241	2	2	1975
	Maximum	\$325,000	1,350	\$333	2	2	1987
	Median	\$244,000	831	\$294	2	2	1987
	Average	\$251,609	870	\$293	2	2	1986

Source: Sandicor Multiple Listing Service (MLS)

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Mdway-Pacific-Old Town_FINAL\4/13/2012;ema

TABLE B-6

**APARTMENT MARKET OVERVIEW, 3RD QUARTER 2011
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO**

<u>Submarket</u>	<u>Effective Monthly Rent</u>	<u>Vacancy</u>
North Beaches	\$1,507	3.4%
Mission Bay/Pacific Beach	\$1,488	2.3%
Clairemont/Linda Vista Mission	\$1,386	3.8%
Ocean Beach/Point Loma Boulevard	\$1,277	2.7%
Oceanside	\$1,187	3.1%
Vista	\$1,171	3.0%
National City/Chula Vista	\$1,153	2.6%
Escondido/San Marcos	\$1,082	3.3%
El Cajon/Santee/Lakeside	\$1,011	1.9%
Balboa Park/West I-15	\$1,011	2.2%
San Diego County Average	\$1,287	3.4%

TABLE B-7

SURVEY OF RENTAL APARTMENT DEVELOPMENTS, POINT LOMA AND OLD TOWN SAN DIEGO⁽¹⁾
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

Apartment Development	Weighted Averages			Ranges			Vacancy		
	Rent	SF	\$/SF	Rent	SF	\$/SF	Units	Rate	Community
Casa De Pueblo - Old Town	\$1,050	650	\$1.62	\$950 \$1,350	500 900	\$1.36 \$1.90	32	3.1%	Old Town
Gables Point Loma	\$1,318	657	\$2.01	\$1,285 \$1,550	620 920	\$1.68 \$2.07	194	4.6%	Point Loma
Loma Palisades	\$1,554	1,009	\$1.54	\$1,495 \$1,805	950 1,225	\$1.47 \$1.57	548	10.0%	Point Loma
Loma Village Apartments	\$996	787	\$1.27	\$895 \$1,150	630 930	\$1.13 \$1.42	88	4.5%	Point Loma
Mariner's Cove	\$1,322	752	\$1.76	\$1,209 \$1,850	615 1,039	\$1.63 \$1.97	500	7.0%	Point Loma
Nimitz Pointe	\$1,155	709	\$1.63	\$925 \$1,425	450 875	\$1.61 \$2.06	64	6.3%	Point Loma
Palermo Terrace	\$1,287	825	\$1.56	\$925 \$1,350	685 850	\$1.35 \$1.59	38	2.6%	Point Loma
Point Loma Bay Partners	\$1,205	567	\$2.12	\$1,000 \$1,380	350 700	\$1.86 \$2.86	65	7.7%	Point Loma
Stonewood Garden Apartments	\$1,390	780	\$1.78	\$1,200 \$1,710	625 1,050	\$1.63 \$1.92	253	2.4%	Point Loma
The Cabana	\$1,046	830	\$1.26	\$900 \$1,350	725 1,050	\$1.24 \$1.29	74	9.5%	Point Loma
The Summit at Point Loma	\$1,231	811	\$1.52	\$1,123 \$1,530	750 980	\$1.50 \$1.56	113	1.8%	Point Loma
Midway/Pacific and Old Town Area	\$1,350	818	\$1.67	\$895 \$1,850	350 1,225	\$1.13 \$2.86	1,969	6.6%	

(1) As of March 2011.

Appendix C

Office Market Overview

TABLE C-1

OFFICE MARKET PROFILE, 3RD QUARTER 2011
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

<u>Submarket</u>	<u>Total SF</u>	<u>Overall Vacancy Rate</u>	<u>SF Under Construction</u>	<u>Average Asking Lease Rate</u> (1)
Torrey Pines	3,529,213	3.3%	0	\$3.75
Del Mar Heights/Carmel Valley	4,396,808	19.1%	0	\$3.63
La Jolla	1,721,335	10.8%	0	\$2.87
San Marcos	1,383,270	21.9%	0	\$2.55
UTC	7,567,715	18.2%	123,429	\$2.55
North Beach Cities	2,336,918	8.3%	67,828	\$2.30
Carlsbad	6,053,620	23.3%	0	\$2.25
Downtown	13,028,113	17.0%	0	\$2.16
Uptown/Hillcrest	2,644,499	7.3%	66,365	\$2.16
Scripps Ranch	2,720,608	37.6%	0	\$2.12
Rose Canyon/Morena	1,267,083	11.4%	0	\$2.08
Mission Valley	7,004,311	13.7%	0	\$2.07
Sorrento Mesa	8,159,513	13.6%	102,000	\$2.05
Park East	145,684	8.9%	0	\$2.04
Governor Park	866,056	9.5%	0	\$2.00
City Heights/University	920,939	7.3%	26,000	\$1.98
Miramar	1,645,472	12.6%	0	\$1.96
Poway	1,333,648	6.9%	0	\$1.85
Rancho Bernardo	6,420,969	11.9%	0	\$1.75
Kearny Mesa	10,246,385	11.7%	541,018	\$1.72
Escondido	1,851,744	16.7%	9,600	\$1.65
Old Town/Point Loma	2,515,739	8.3%	0	\$1.57
Chula Vista	2,835,842	13.3%	45,000	\$1.53
Oceanside	1,184,688	18.4%	0	\$1.52
East County	3,571,814	9.8%	0	\$1.45
Vista	1,140,992	15.4%	0	\$1.40
Sorrento Valley	792,350	10.2%	0	\$1.25
Southeast San Diego	426,932	24.0%	0	\$1.25
Mission Gorge	603,823	8.7%	0	\$1.19
Coronado	124,741	2.7%	0	\$0.00
National City	516,722	43.9%	0	\$0.00
Otay Mesa	241,214	17.8%	0	\$0.00
Total, San Diego County	99,198,760	14.7%	981,240	\$2.15

(1) All leases are full-service gross.

Source: Voit Real Estate Services

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/13/2012; ema

TABLE C-2

OFFICE BUILDING SALES, MIDWAY/PACIFIC HIGHWAY CORRIDOR, JANUARY 2008 TO PRESENT
MARKET ANALYSIS
MIDWAY-PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

<u>Sale Date</u>	<u>Address</u>	<u>Sale Price</u>	<u>Acres</u>	<u>\$/SF Land</u>	<u>Building SF</u>	<u>\$/SF</u>	<u>Year Built</u>	<u>Property Description</u>
03/02/11	3202 Duke Street	\$11,106,500	2.74	\$93	37,580	\$296	1964	Rehabilitation center building
09/23/10	2535 Kettner Blvd., Unit 3A4	\$180,000	--	--	1,210	\$149	1985	Class B Office condominium (1)
08/25/10	2535 Kettner Blvd., Unit 3A5	\$95,000	--	--	869	\$109	1985	Class B Office condominium (1)
09/04/09	3024 Hancock Street	\$860,000	0.16	\$123	3,773	\$228	1965	Class C Office Building (2)
08/08/08	3481-3491 Kurtz Street	\$1,995,000	0.78	\$59	16,475	\$121	1975	Class C office building
06/12/08	2535 Kettner Blvd., Unit 3B3	\$169,900	--	--	464	\$366	1985	Class B Office condominium (1)
03/28/08	2110 Hancock Street	\$3,120,000	0.27	\$269	24,888	\$125	1992	Class C office building
	Minimum	\$95,000	0.16	\$59	464	\$109	1964	
	Maximum	\$11,106,500	2.74	\$269	37,580	\$366	1992	
	Median	\$860,000	0.52	\$108	3,773	\$149	1985	
	Average	\$2,503,771	0.99	\$136	12,180	\$199	1979	

(1) Condominiums located in Harbor View Professional Plaza.

(2) Renovated in 1978.

Source: CoStar Comps, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/13/2012; ema

TABLE C-3

**INVENTORY OF OFFICE BUILDINGS, MIDWAY/PACIFIC HIGHWAY CPA
MARKET ANALYSIS
MIDWAY-PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO**

<u>Address</u>	<u>Building SF</u>		<u>Vacancy Rate</u>	<u>Year Built</u>	<u>Class</u>
	<u>Total</u>	<u>Available</u>			
1516 W. Redwood St.	6,836	0	0%	1978	C
1775 Hancock St.	44,000	1,794	4%	1990	B
1785-1795 Hancock St.	15,000	0	0%	1990	B
2120 W. Washington St.	6,000	4,338	72%	1990	B
2150 W. Washinton St.	55,000	12,038	22%	1990	B
2535 Kettner Blvd.	34,000	0	0%	1985	B
2535 Pacific Highway	4,715	0	0%	1978	C
3045 Rosecrans St.	27,477	4,500	16%	1959	C
3051-3055 Rosecrans St.	4,800	0	0%	1958	C
3065 Rosecrans Pl.	21,340	5,300	25%	N/A	C
3205 Midway Dr.	5,200	800	15%	1979	C
3232 Duke St.	8,659	0	0%	1980	B
3252-3260 Rosecrans St.	14,000	1,200	9%	N/A	C
3272 Rosecrans St.	2,700	0	0%	N/A	C
3274 Rosecrans St.	3,000	0	0%	1971	C
3276 Rosecrans St.	18,900	0	0%	1971	B
3320 Kemper St.	12,350	0	0%	N/A	C
3333 Midway Dr.	10,100	0	0%	1964	C
3338-3348 Kettner Blvd.	2,486	0	0%	N/A	C
3340 Kemper St.	14,715	0	0%	1973	C
3388 Channel Way	1,600	0	0%	1981	C
3402-3412 Kurtz St.	8,200	0	0%	2008	B
3405 Kenyon St.	47,300	0	0%	1976	C
3420 Kenyon St.	45,550	0	0%	1975	C
3442-3448 Hancock St.	6,899	0	0%	1960	C
3481-3491 Kurtz St.	16,475	1,000	6%	1975	C
3502 Kurtz St.	12,920	0	0%	1987	C
3555-3575 Kenyon St.	13,000	1,205	9%	1965	C
3620 Kurtz St.	1,500	0	0%	N/A	C
3644-3646 Midway Dr.	4,900	2,500	51%	1977	C
3688 Midway Dr.	12,000	0	0%	1979	C
3780 Hancock St.	10,200	1,200	12%	N/A	C
3934 La Salle St.	1,519	0	0%	N/A	C
3939 La Salle St.	1,957	0	0%	N/A	C
3940 Hancock St.	20,000	0	0%	1982	B
3942 Hancock St.	20,000	0	0%	N/A	B
3946 La Salle St.	2,620	0	0%	1945	C
4015 Hancock St.	35,000	0	0%	1980	B
4025 Hancock St.	35,000	0	0%	1980	B
4035 Hancock St.	35,000	0	0%	1980	B
4045 Hancock St.	35,000	0	0%	1980	B
4055 Hancock St.	35,000	0	0%	1980	B
4065 Hancock St.	35,000	0	0%	1980	B
Minimum	1,500	0	0%	1945	
Maximum	55,000	12,038	72%	2008	
Median	12,920	0	0%	1979	
Average	17,393	834	6%	1977	

Source: CoStar Group, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/13/2012; ema

TABLE C-4

**INVENTORY OF OFFICE BUILDINGS, OLD TOWN SAN DIEGO
MARKET ANALYSIS
MIDWAY-PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO**

<u>Address</u>	<u>Building SF</u>		<u>Vacancy Rate</u>	<u>Year Built</u>	<u>Class</u>
	<u>Total</u>	<u>Available</u>			
3921 Ampudia St.	2,670	2,670	100%	2004	B
2408-2410 Congress St.	2,200	0	0%	1915	C
2424 Congress St.	7,634	0	0%	1970	B
2477 Congress St.	2,557	0	0%	1987	C
2505 Congress St.	10,000	0	0%	1981	C
2725 Congress St.	18,400	0	0%	1972	C
3900 Harney St.	20,000	0	0%	1980	C
3905 Harney St.	2,500	0	0%	1979	C
3911 Harney St.	1,790	0	0%	1946	C
3935 Harney St.	5,000	0	0%	1987	B
4062 Harney St.	2,300	2,300	100%	1950	C
3920-3940 Hortensia St.	6,340	0	0%	1974	C
2341 Jefferson St.	6,848	0	0%	1987	C
2405 Juan St.	2,900	0	0%	1950	C
2802 Juan St.	12,872	0	0%	1981	C
2829 Juan St. (1)	115,735	115,735	100%	1951	C
3923 Mason St.	1,529	0	0%	N/A	C
2254 Moore St.	9,350	865	9%	1978	C
2340 Moore St.	1,098	0	0%	1933	C
2356 Moore St.	12,046	2,906	24%	1977	C
3878 Old Town Ave.	20,000	0	0%	1979	C
3990 Old Town Ave.	35,000	12,486	36%	1983	B
2827-2837 Presidio Dr.	4,445	0	0%	1970	C
2243 San Diego Ave.	14,603	0	0%	1978	B
2245 San Diego Ave.	15,190	0	0%	1978	C
2247 San Diego Ave.	42,000	0	0%	1984	C
2251 San Diego Ave.	34,087	1,833	5%	1974	C
2254 San Diego Ave.	6,424	0	0%	1986	C
2266 San Diego Ave.	4,857	0	0%	1956	C
2384 San Diego Ave.	7,000	0	0%	1972	C
2398 San Diego Ave.	7,000	0	0%	1970	C
2415 San Diego Ave.	22,303	8,586	38%	1971	B
4008 Taylor St.	5,368	0	0%	1991	C
4050 Taylor St.	301,000	0	0%	2009	B
4133-4135 Taylor St.	11,843	0	0%	1981	C
Minimum	1,098	0	0%	1915	
Maximum	301,000	115,735	100%	2009	
Median	7,000	0	0%	1978	
Average	22,140	4,211	12%	1973	

(1) Former Caltrans building.

Source: CoStar Group, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Mdway-Pacific-Old Town_FINAL\4/13/2012; ema

Appendix D

Industrial Market Overview

TABLE D-1

INDUSTRIAL MARKET PROFILE, 3RD QUARTER 2011
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

<u>Submarket</u>	<u>Total SF</u>	<u>Overall Vacancy Rate</u>	<u>SF Under Construction</u>	<u>Average Asking Lease Rate</u> ⁽¹⁾
Sorrento Valley	1,364,629	1.8%	0	\$1.54
Santee/Lakeside	3,961,012	3.9%	0	\$1.36
Central City	3,001,590	7.9%	0	\$1.10
Rancho Bernardo	4,144,645	11.3%	0	\$0.97
Mission Gorge	2,264,312	10.7%	0	\$0.85
Outlying SD County North	1,325,497	1.8%	0	\$0.85
Carlsbad	8,952,131	11.3%	0	\$0.84
Kearny Mesa	11,456,972	4.2%	0	\$0.84
Sorrento Mesa	4,025,463	6.3%	0	\$0.84
Scripps Ranch	789,004	3.6%	0	\$0.81
Airport/Sports Arena	3,931,295	1.9%	0	\$0.80
San Marcos	9,251,589	8.1%	0	\$0.78
Escondido	8,351,598	5.3%	0	\$0.75
Poway	7,279,127	3.3%	0	\$0.73
Rose Canyon/Morena	3,464,763	5.3%	0	\$0.72
Miramar	14,626,074	8.0%	0	\$0.70
Vista/Fallbrook	12,909,933	7.0%	0	\$0.67
La Mesa/Spring Valley	3,605,229	6.6%	0	\$0.65
Oceanside	8,631,164	14.1%	0	\$0.64
El Cajon	10,600,937	7.8%	0	\$0.62
National City	4,411,373	6.6%	0	\$0.61
San Ysidro/Imperial Beach	1,840,685	5.6%	0	\$0.55
Chula Vista	10,241,950	6.8%	0	\$0.52
Southeast City	4,370,915	6.5%	0	\$0.51
Otay Mesa	15,443,457	20.1%	0	\$0.48
East City	1,474,080	1.2%	0	\$0.00
North Beach Cities	938,436	0.0%	0	\$0.00
Outlying SD County South	810,451	13.6%	0	\$0.00
Torrey Pines/UTC	140,879	0.0%	0	\$0.00
Total, San Diego County	163,609,190	8.3%	0	\$0.66

(1) All leases are triple-net.

Source: Voit Real Estate Services

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Mdway-Pacific-Old Town_FINAL\4/13/2012; ema

TABLE D-2

FLEX/R&D MARKET PROFILE, 3RD QUARTER 2011
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

<u>Submarket</u>	<u>Total SF</u>	<u>Overall Vacancy Rate</u>	<u>SF Under Construction</u>	<u>Average Asking Lease Rate</u> ⁽¹⁾
UTC	1,539,162	40.6%	0	\$2.80
Sorrento Valley	2,360,489	14.4%	0	\$1.41
Sorrento Mesa	6,539,092	14.8%	0	\$1.17
Carlsbad	5,546,833	20.3%	0	\$1.10
Kearny Mesa	5,330,598	10.5%	0	\$1.08
Miramar	4,245,965	19.7%	0	\$1.04
Rancho Bernardo	4,982,151	27.0%	0	\$1.04
El Cajon	927,949	8.7%	0	\$1.00
San Marcos	824,807	13.7%	0	\$0.97
Scripps Ranch	755,298	16.9%	0	\$0.97
Poway	1,378,822	11.1%	0	\$0.89
Otay Mesa	296,313	16.0%	0	\$0.80
Rose Canyon/Morena	686,938	10.4%	0	\$0.76
Vista/Fallbrook	1,654,249	13.4%	0	\$0.72
Santee/Lakeside	460,043	5.7%	0	\$0.66
Chula Vista	1,442,423	8.7%	0	\$0.60
Escondido	620,085	9.8%	0	\$0.53
Airport/Sports Arena	421,515	2.8%	0	N/A
Central City	207,418	3.7%	0	N/A
East City	44,292	0.0%	0	N/A
La Mesa/Spring Valley	308,971	4.0%	0	N/A
Mission Gorge	168,344	16.2%	0	N/A
National City	299,827	11.9%	0	N/A
North Beach Cities	157,078	1.3%	0	N/A
Oceanside	1,030,970	8.2%	0	N/A
Outlying SD County North	126,521	4.0%	0	N/A
Outlying SD County South	76,270	13.6%	0	N/A
Southeast City	208,804	0.0%	0	N/A
Torrey Pines	2,619,753	21.3%	0	N/A
Total, San Diego County	45,260,980	16.7%	0	\$1.11

(1) All leases are triple-net.

Source: Voit Real Estate Services

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/13/2012; ema

TABLE D-4

INDUSTRIAL ASKING LEASE RATES, MIDWAY/PACIFIC HIGHWAY CORRIDOR⁽¹⁾
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

<u>Address</u>	<u>Property Type</u>	<u>Total Building SF</u>	<u>Available Leasable SF</u>	<u>Average Asking Lease Rate</u>	<u>Lease Type</u>	<u>Percent Vacant</u>	<u>Year Built</u>
3430 Hancock St.	Warehouse	11,220	11,220	\$0.75	Full Service Gross	100%	N/A
3760-3780 Hancock St.	Office showroom	10,500	2,100	\$1.00	Modified Gross	100%	N/A
			6,300	\$1.05	Modified Gross		
			900	\$1.25	Modified Gross		
			1,200	\$1.10	Modified Gross		
2727 Kurtz St.	R&D industrial building	89,120	89,120	\$0.67	NNN	100%	1979
3515 Hancock St.	R&D industrial building	26,000	2,306	\$0.85	NNN	9%	1972
3602-3608 Kurtz St.	Distribution warehouse	40,000	40,000	\$0.85	Modified Gross	100%	1951
3467 Kurtz St.	Warehouse	8,000	8,000	\$0.75	Modified Gross	100%	1978
2717-2719 Kurtz St.	Distribution warehouse	28,360	3,180	N/A	N/A	11%	N/A
3341 Hancock St.	Office showroom	11,700	6,700	\$1.00	Industrial Gross	57%	N/A
3342 Kurtz St.	Warehouse	6,000	3,000	\$0.75	Warehouse	50%	N/A
3487-3489 Noell St.	2-story flex space	32,000	10,317	\$0.68	Industrial Gross	32%	N/A
3430 Kurtz St.	Manufacturing	7,500	7,500	\$0.80	Full Service Gross	100%	1989
4055 Pacific Highway	Warehouse	15,000	8,333	\$0.55	Industrial Gross	56%	N/A
3980-3990 Sherman St.	3-story flex space	284,011	73,774	\$0.59	NNN	26%	1981
2077 Kurtz St.	2-story flex space	10,000	10,000	\$0.90	Full Service Gross	100%	N/A
3417 Hancock St.	Manufacturing	11,850	11,850	\$0.75	Modified Gross	100%	1975
3320 Kurtz St.	Warehouse	12,000	6,000	\$0.75	Modified Gross	50%	N/A
4909 Pacific Highway	Distribution warehouse	24,000	8,500	\$0.90	Full Service Gross	35%	N/A
4009 Hicock St.	Warehouse	15,000	15,000	\$0.96	N/A	100%	N/A
	Minimum	6,000	900	\$0.55		9%	1951
	Maximum	284,011	89,120	\$1.25		100%	1989
	Median	13,500	8,000	\$0.83		79%	1978
	Average	35,681	15,490	\$0.85		68%	1975
Total		642,261	325,300			51%	

(1) As of December 1, 2011.

Source: LoopNet.com

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/13/2012; ema

TABLE D-5

**INDUSTRIAL BUILDING SALES, JANUARY 2008 TO PRESENT
MARKET ANALYSIS
MIDWAY-PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO**

<u>Sale Date</u>	<u>Address</u>	<u>Sale Price</u>	<u>Acres</u>	<u>\$/SF Land</u>	<u>Building SF</u>	<u>\$/SF</u>	<u>Year Built</u>	<u>Property Description</u>
11/16/10	3351 Hancock Street	\$450,000	0.15	\$68	5,000	\$90	1976	Class C warehouse building
11/01/10	3421 Hancock Street	\$850,000	0.16	\$122	8,000	\$106	1968	Class C manufacturing building
10/25/10	3955-3957 Pacific Highway	\$1,250,000	0.27	\$108	11,400	\$110	1937	Class C warehouse building
08/26/10	3425 Hancock Street	\$1,195,000	0.32	\$85	10,600	\$113	1964	Class C manufacturing building
10/27/09	2074 Hancock Street	\$1,480,000	0.34	\$99	9,600	\$154	1992	Class C warehouse building
09/10/09	3650 Hancock Street	\$1,000,000	0.47	\$49	12,250	\$82	1982	Class C warehouse building
	Minimum	\$450,000	0.15	\$49	5,000	\$82	1937	
	Maximum	\$1,480,000	0.47	\$122	12,250	\$154	1992	
	Median	\$1,097,500	0.29	\$92	10,100	\$108	1972	
	Average	\$1,037,500	0.29	\$88	9,475	\$109	1970	

Appendix E

Hotel Market Overview

TABLE E-1**HOTEL MARKET PROFILE, 2011 ⁽¹⁾****MARKET ANALYSIS****MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO****CITY OF SAN DIEGO**

<u>Submarket</u>	<u>Average Daily Rate</u>	<u>Occupancy</u>
San Diego Bay Areas	\$243	74.7%
La Jolla	\$203	71.4%
Downtown	\$172	80.4%
Mission Bay	\$169	78.1%
North City/UTC	\$139	75.5%
North Coastal	\$134	71.5%
I-15/Kearny Mesa	\$113	69.2%
Mission Valley	\$110	71.9%
Sports Arena/Old Town	\$108	70.3%
South Bay	\$59	67.1%
Overall Average	\$155	75.6%

(1) January through October 2011.

Source: PKF Consulting, Trends in the Hotel Industry

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/13/2012; ema

TABLE E-2

AVERAGE DAILY RATE AND OCCUPANCY RATE TREND COMPARISON
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (1)</u>	Average Annual Change 2006-2011
<u>Average Daily Rate</u>							
Sports Arena/Old Town	\$133.36	\$144.73	\$140.07	\$114.80	\$112.62	\$107.53	-4.2%
San Diego County	\$166.38	\$173.40	\$175.95	\$154.42	\$150.03	\$155.37	-1.4%
<u>Occupancy Rate</u>							
Sports Arena/Old Town	83.2%	82.5%	79.6%	75.8%	79.4%	70.3%	--
San Diego County	76.4%	76.4%	73.7%	67.2%	71.2%	75.6%	--

(1) January through October 2011.

TABLE E-3

**EXISTING HOTELS, MIDWAY/PACIFIC HIGHWAY CORRIDOR
MARKET ANALYSIS
MIDWAY-PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO**

<u>Name</u>	<u>Address</u>	<u>Room Count</u>	<u>AAA Rating</u>	<u>Range of Room Rates</u>
Bay Inn and Suites SeaWorld	3325 Midway Dr.	46	◆◆	\$59 to \$159
Days Inn and Suites Near SeaWorld	3350 Rosecrans St.	159	◆◆	\$59 to \$188
El Rio Motel	3880 Rosecrans St.	33	N/A	N/A to N/A
Good Nite Inn	3880 Greenwood St.	150	N/A	\$42 to \$72
Hampton Inn SeaWorld	3888 Greenwood St.	208	◆◆◆	\$109 to \$299
Heritage Inn San Diego-SeaWorld	3333 Channel Way	119	◆◆	\$55 to \$175
Holiday Inn Express SeaWorld-Point Loma	3950 Jupiter St.	71	◆◆◆	\$109 to \$369
Howard Johnson Inn Near SeaWorld	3330 Rosecrans St.	98	◆◆◆	\$59 to \$178
Wyndham Garden San Diego	3737 Sports Arena Blvd.	316	◆◆◆	N/A to N/A
Old Town Inn	4444 Pacific Highway	73	◆◆	\$75 to \$200
Ramada Limited SeaWorld	3747 Midway Dr.	64	◆◆	\$62 to \$170
Total/Minimum vs. Maximum		1,337	N/A	\$42 to \$369

TABLE E-4

**EXISTING HOTELS, OLD TOWN SAN DIEGO
MARKET ANALYSIS
MIDWAY-PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO**

<u>Name</u>	<u>Address</u>	<u>Room Count</u>	<u>AAA Rating</u>	<u>Range of Room Rates</u>
America's Best Value Padre Train Inn	4200 Taylor St.	100	◆◆	\$59 to \$199
Best Western Plus Hacienda Hotel Old Town	4041 Harney St.	199	◆◆◆	\$199 to \$249
Cosmopolitan Hotel and Restaurant	2660 Calhoun St.	10	N/A	\$132 to \$229
Courtyard by Marriott Old Town	2435 Jefferson St.	176	◆◆◆	\$95 to \$217
E-Z 8 Motel Old Town	4747 Pacific Highway	127	N/A	\$39 to \$49
La Quinta Inn San Diego Old Town	2380 Moore St.	79	◆◆◆	\$98 to \$273
Mission Inn Old Town San Diego	3900 Old Town Ave.	125	◆◆◆	\$99 to \$189
Western Inn Old Town	3889 Arista St.	35	N/A	\$53 to \$99
Total/Minimum vs. Maximum		851	N/A	\$39 to \$273

TABLE E-5

HOTEL/MOTEL SALES, JANUARY 2008 TO PRESENT
MARKET ANALYSIS
MIDWAY-PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

<u>Sale Date</u>	<u>Address</u>	<u>Sale Price</u>	<u>Acres</u>	<u>\$/SF</u> <u>Land</u>	<u>Building</u> <u>SF</u>	<u>\$/SF</u>	<u>Rooms</u> <u>Total</u>	<u>\$/Room</u>	<u>Year</u> <u>Built</u>	<u>Hotel/Motel</u>
I. Midway/Pacific Highway Corridor CPA										
01/11/11	3737-3747 Midway Drive	\$3,850,000	0.83	\$107	24,494	\$157	64	\$564	1959	Ramada Inn
08/26/10	3737 Sports Arena Boulevard	\$12,500,000	4.30	\$67	138,000	\$91	316	\$593	1983	Mission Plaza Hotel & Suites (1)
05/08/08	3333 Channel Way	\$9,985,000	1.34	\$171	23,535	\$424	119	\$491	1984	Heritage Inn
	Minimum	\$3,850,000	0.83	\$67	23,535	\$91	64	\$491	1959	
	Maximum	\$12,500,000	4.30	\$171	138,000	\$424	316	\$593	1984	
	Median	\$9,985,000	1.34	\$107	24,494	\$157	119	\$564	1983	
	Average	\$8,778,333	2.16	\$115	62,010	\$224	166	\$549	1975	
II. Old Town San Diego CPA										
04/26/11	2435 Jefferson Street	\$29,000,000	1.07	\$622	74,584	\$389	176	\$265	1987	Courtyard by Marriott
04/26/11	3900-3902 Old Town Avenue	\$13,750,000	1.13	\$279	29,272	\$470	125	\$394	1989	Holiday Inn Express (2)
	Minimum	\$13,750,000	1.07	\$279	29,272	\$389	125	\$265	1987	
	Maximum	\$29,000,000	1.13	\$622	74,584	\$470	176	\$394	1989	
	Median	\$21,375,000	1.10	\$451	51,928	\$429	151	\$329	1988	
	Average	\$21,375,000	1.10	\$451	51,928	\$429	151	\$329	1988	

(1) Renovated in 1997.

(2) Renovated in 2003.

Source: CoStar Comps, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/13/2012; ema

Appendix F

Retail Market Overview

TABLE F-1

RETAIL MARKET PROFILE, 3RD QUARTER 2011
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

<u>Submarket</u>	<u>Rentable SF</u>	<u>Overall Vacancy Rate</u>	<u>Under Construction</u>	<u>Average Asking Lease Rate</u> ⁽¹⁾
La Jolla/Torrey Pines	2,373,439	6.2%	0	\$3.30
Del Mar Heights	2,890,527	2.7%	0	\$2.84
Coronado	620,762	5.4%	0	\$2.74
Downtown	6,547,895	5.1%	104,271	\$2.55
Central San Diego	4,713,956	2.5%	65,637	\$2.53
Pacific Beach/Morena	3,103,708	4.7%	0	\$2.51
Rancho Penasquitos	797,011	3.3%	0	\$2.44
Cardiff/Encinitas	6,331,948	3.0%	3,590	\$2.43
Carlsbad	5,174,676	5.4%	0	\$2.30
Carmel Mountain Ranch	2,402,520	8.6%	0	\$2.28
Poway	2,867,434	5.0%	0	\$2.20
Santee/Lakeside	3,378,123	5.6%	0	\$2.03
Point Loma/Sports Arena	4,405,908	6.3%	0	\$2.03
UTC	2,231,030	1.1%	0	\$2.00
Mission Gorge	967,743	4.8%	0	\$1.93
San Marcos	4,462,762	8.7%	0	\$1.86
Rancho Bernardo	525,040	5.8%	6,672	\$1.85
Chula Vista	9,158,941	4.0%	0	\$1.84
Mission Valley	5,763,215	2.3%	0	\$1.81
Miramar	4,353,909	6.0%	0	\$1.79
Clairemont	7,200,604	5.2%	0	\$1.73
Imperial Beach/South San Diego	4,131,561	3.7%	0	\$1.70
Oceanside	7,747,026	7.1%	0	\$1.66
Vista	5,196,123	8.0%	0	\$1.59
National City	3,411,170	6.5%	6,980	\$1.59
Eastlake	2,438,255	6.6%	0	\$1.58
Outlying SD County North	2,655,978	3.8%	0	\$1.55
Escondido	9,734,394	7.3%	0	\$1.52
Mid City/South East San Diego	7,232,247	4.1%	28,800	\$1.47
Outlying SD County South	824,266	3.5%	0	\$1.27
El Cajon	8,712,871	5.8%	0	\$1.25
Lemon Grove/Spring Valley	2,884,427	3.6%	0	\$1.17
La Mesa	5,237,363	4.7%	0	\$0.75
Total, San Diego County	140,476,832	5.2%	215,950	\$1.82

(1) All leases are triple-net.

Source: Voigt Real Estate Services

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/13/2012; ema

TABLE F-2

**OVERVIEW OF SHOPPING CENTERS, MIDWAY/PACIFIC HIGHWAY CORRIDOR
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO**

<u>Center Name</u>	<u>Address</u>	<u>Size (SF)</u>	<u>Year Built</u>	<u>Anchor Tenants</u>
Glasshouse Square	3146-3156 Sports Arena Blvd.	101,893	1983	Gold's Gym, Staples
Grosvenor Square	3109-3145 Sports Arena Blvd.	56,006	1985	PetSmart
Loma Square	3300 Rosecrans St.	210,621	N/A	CVS, Home Goods, Sprouts Farmer's Market, TJ Maxx, Party City
Point Loma Plaza	3609-3695 Midway Dr.	212,905	1988	Vons, Sports Chalet, 24 Hour Fitness, Jo-Ann Fabrics & Crafts
Rosecrans Shopping Center	3555 Rosecrans St.	43,170	1987	Casual Male Big & Tall
Unnamed shopping center	SEC Kemper St. and Sports Arena Blvd.	250,000 (1)	N/A	Home Depot, Target, Ralph's, Ross Dress for Less
Unnamed shopping center	2740-2790 Midway Dr.	73,450	1961	Michael's Arts & Crafts, Aaron Brothers, Smart & Final, O'Reilly Auto Parts
Total/Average		948,045	1981	

(1) KMA estimate.

TABLE F-3

RETAIL ASKING LEASE RATES, MIDWAY/PACIFIC HIGHWAY CORRIDOR⁽¹⁾
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

<u>Address</u>	<u>Center Name/Description</u>	<u>Total Center/ Building SF</u>	<u>Available Leasable SF</u>	<u>Average Asking Lease Rate⁽²⁾</u>	<u>Percent Vacant</u>	<u>Year Built</u>
3609 Midway Dr.	Point Loma Plaza	213,229	15,327	N/A	7%	1988
3305 Rosecrans St.	Community center	210,000	23,043	N/A	11%	N/A
1025 W. Laurel St.	Ground floor retail of office building	6,371	6,371	N/A	100%	1986
3645 Midway Dr.	Neighborhood center	212,415	16,719	N/A	8%	1989
3152 Midway Dr.	Strip center	29,365	3,540	N/A	12%	1989
3445 Midway Dr.	Midway Plaza	18,600	2,870	\$2.13	15%	1985
3675 Sports Arena Blvd.	Strip center	8,405	2,714	N/A	32%	1974
4030 Sports Arena Blvd.	Free standing retail building	13,703	13,703	\$1.50	100%	N/A
3740 Sports Arena Blvd.	Strip center	60,000	3,600	N/A	6%	N/A
3545 Midway Dr.	Shopping center	25,835	1,080	N/A	4%	1980
2415 San Diego Ave.	Specialty strip retail	22,000	8,586	\$1.75	39%	1971
Rosecrans St. and Midway Dr.	Neighborhood center	210,621	23,043	N/A	11%	1961
3112 Midway Dr.	Strip center	15,000	767	\$2.00	5%	1989
3601 Sports Arena Blvd.	Free standing retail building	7,085	7,085	\$2.00	100%	1973
3555 Rosecrans St.	Strip center	43,115	3,441	\$1.75	8%	1988
	Minimum	6,371	767	\$1.50	4%	1961
	Maximum	213,229	23,043	\$2.13	100%	1989
	Median	25,835	6,371	\$1.88	11%	1986
	Average	73,050	8,793	\$1.85	31%	1981
	Total	1,095,744	131,889		12%	

(1) As of November 23, 2011.

(2) All leases are triple-net (NNN).

Source: LoopNet.com

Prepared by: Keyser Marston Associates, Inc.

Filename:SD City - Midway-Pacific-Old Town_FINAL\4/13/2012; ema

TABLE F-4

RETAIL BUILDING SALES, JANUARY 2008 TO PRESENT
MARKET ANALYSIS
MIDWAY-PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

<u>Sale Date</u>	<u>Address</u>	<u>Sale Price</u>	<u>Acres</u>	<u>\$/SF</u> <u>Land</u>	<u>Building</u> <u>SF</u>	<u>\$/SF</u>	<u>Year</u> <u>Built</u>	<u>Property Description</u>
I. Midway/Pacific Highway Corridor CPA								
09/20/11	2940 Lytton Street	\$1,271,500	0.53	\$55	1,796	\$708	1979	Retail service station
04/19/11	3610 Rosecrans Street	\$3,519,266	2.71	\$30	27,000	\$130	1979	Grosvenor Square
04/19/11	3650-3680 Rosecrans Street	\$2,043,520	1.38	\$34	15,678	\$130	1979	Grosvenor Square
04/19/11	3550 Rosecrans Street	\$847,231	0.14	\$139	6,500	\$130	1979	Grosvenor Square
04/19/11	3145 Sports Arena Boulevard	\$889,983	0.69	\$30	6,828	\$130	1979	Grosvenor Square
11/25/08	1747 Hancock Street	\$3,550,000	0.22	\$370	16,680	\$213	1971	Retail storefront
07/18/08	2720 and 2732 Midway Drive	\$2,460,000	1.15	\$49	10,056	\$245	1950	Free standing buildings (two buildings)
	Minimum	\$847,231	0.14	\$30	1,796	\$130	1950	
	Maximum	\$3,550,000	2.71	\$370	27,000	\$708	1979	
	Median	\$2,043,520	0.69	\$49	10,056	\$130	1979	
	Average	\$2,083,071	0.97	\$101	12,077	\$241	1974	
II. Old Town San Diego CPA								
07/10/09	4263 Taylor Street	\$960,000	0.46	\$47	5,000	\$192	1945	Retail free standing building
04/06/09	2489 San Diego Avenue	\$4,000,000	0.43	\$213	9,067	\$441	1955	Retail/restaurant building
	Minimum	\$960,000	0.43	\$47	5,000	\$192	1945	
	Maximum	\$4,000,000	0.46	\$213	9,067	\$441	1955	
	Median	\$2,480,000	0.45	\$130	7,034	\$317	1950	
	Average	\$2,480,000	0.45	\$130	7,034	\$317	1950	

Source: CoStar Comps, Inc.

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Midway-Pacific-Old Town_FINAL\4/13/2012; ema

TABLE F-5

TOTAL TAXABLE RETAIL SALES, CITY AND COUNTY OF SAN DIEGO, 2005-2010
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

Retail Categories (\$000s) (1)	City of San Diego			County of San Diego		
	2005	2010	Average Annual Rate	2005	2010	Average Annual Rate
Aggregated Confidential (2)	\$7,758,226	\$6,984,772	-2.1%	\$20,153,349	\$17,195,325	-3.1%
Apparel Stores	\$948,555	\$1,073,812	2.5%	\$1,846,212	\$2,069,423	2.3%
Home Furnishings and Appliances	\$993,063	\$806,876	-4.1%	\$1,805,177	\$1,451,131	-4.3%
Eating and Drinking	\$2,298,702	\$2,505,842	1.7%	\$4,267,433	\$4,657,220	1.8%
Other Retail Stores (3)	<u>\$2,509,222</u>	<u>\$2,026,465</u>	<u>-4.2%</u>	\$5,048,703	<u>\$3,924,412</u>	<u>-4.9%</u>
Total Taxable Retail Sales	\$14,507,768	\$13,397,767	-1.6%	\$33,120,874	\$29,297,511	-2.4%

(1) Excludes All Other Outlets.

(2) The State Board of Equalization minimum threshold requirements for release of sales tax information by retail category were not met in the following categories:
 Auto Dealers & Supplies, Building Material and Farm Implements, Drug Stores, Food Stores, General Merchandise, Packaged Liquor, and Service Stations.

(3) Includes second-hand stores, garden supplies, watercraft dealers, airplane dealers, fuel, and ice dealers.

TABLE F-6

TOTAL TAXABLE RETAIL SALES, COMMUNITY PLANNING AREAS, 2005-2010
MARKET ANALYSIS
MIDWAY/PACIFIC HIGHWAY CORRIDOR AND OLD TOWN SAN DIEGO
CITY OF SAN DIEGO

<u>Retail Categories (\$000s)</u> (1)	Midway/Pacific Highway Corridor			Old Town San Diego		
	2005	2010	Average Annual Rate	2005	2010	Average Annual Rate
Aggregated Confidential (2)	\$230,599	\$188,228	-4.0%	\$22,402	\$29,162	5.4%
Apparel Stores	\$28,263	\$29,969	1.2%	\$2,142	\$2,404	2.3%
Home Furnishings and Appliances	\$37,305	\$13,256	-18.7%	included above		n/a
Eating and Drinking	\$43,466	\$68,501	9.5%	\$47,676	\$43,322	-1.9%
Other Retail Stores (3)	<u>\$120,248</u>	<u>\$91,520</u>	<u>-5.3%</u>	<u>\$22,080</u>	<u>\$14,458</u>	<u>-8.1%</u>
Total Taxable Retail Sales	\$459,880	\$391,473	-3.2%	\$94,299	\$89,346	-1.1%
Taxable Sales as % of City	3.2%	2.9%	-	0.6%	0.7%	-

(1) Excludes All Other Outlets.

(2) The State Board of Equalization minimum threshold requirements for release of sales tax information by retail category were not met in the following categories:
Auto Dealers & Supplies, Building Material and Farm Implements, Drug Stores, Food Stores, General Merchandise, Packaged Liquor, and Service Stations.

(3) Includes second-hand stores, garden supplies, watercraft dealers, airplane dealers, fuel, and ice dealers.

Source: MuniServices and City of San Diego

Prepared by: Keyser Marston Associates, Inc.

Filename: SD City - Mdway-Pacific-Old Town_FINAL\4/13/2012; ema